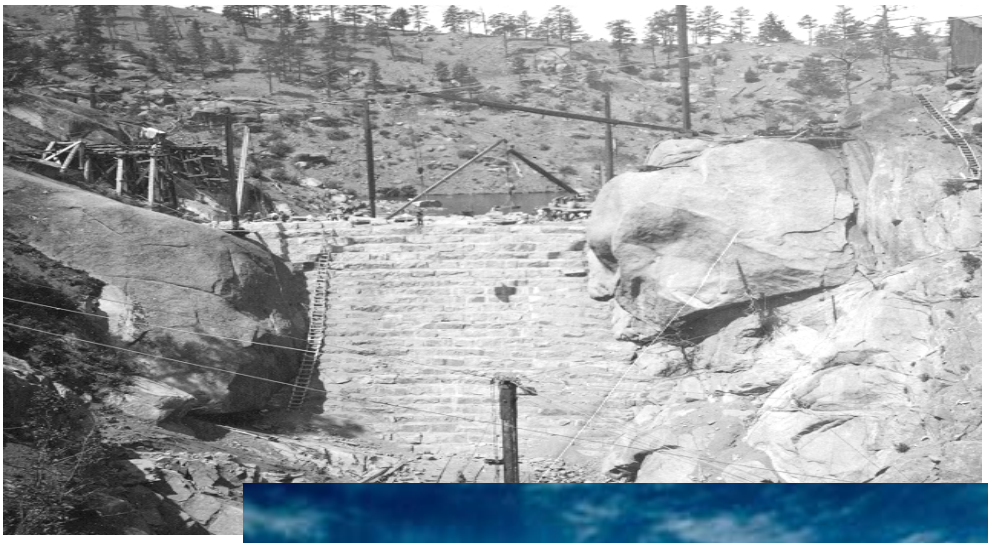

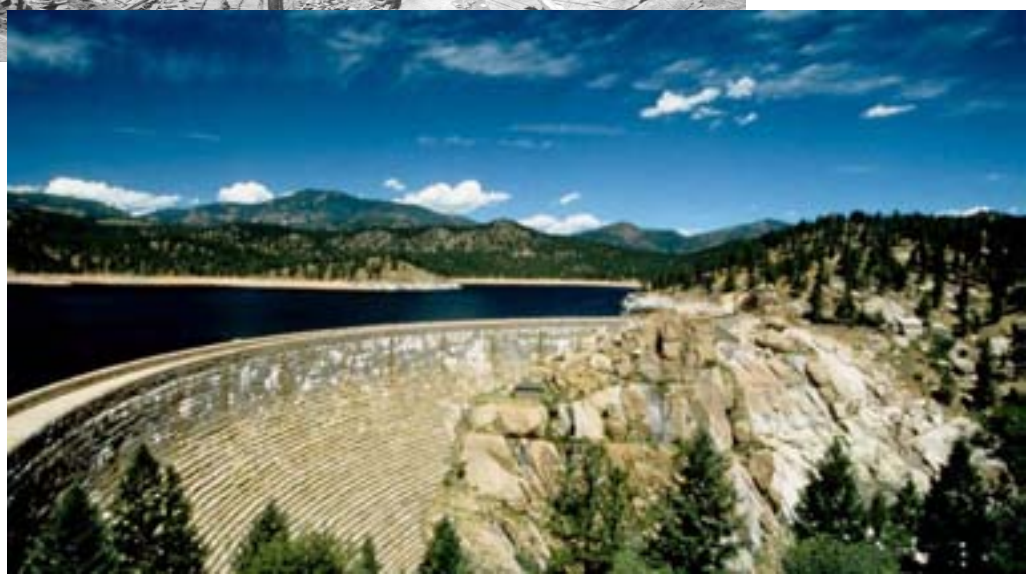

2006 Budget

DENVER WATER
Denver, Colorado

January 29, 1936 - December 10, 2005

Commissioner Bill Roberts: The People's Advocate
Denver Board of Water Commissioners

Among the many places where Bill Roberts' absence will be deeply felt is Denver Water, where he served the city for eight years. He was President of the Water Board before his resignation in October 2005 for health reasons.

During those years, Commissioner Roberts was the pragmatic advocate of what he came to call "the common customer" – those citizens, and customers, for whom the Denver Water's service area is a workplace, a home, and a legacy for children. Commissioner Roberts never lost sight of water's place in assuring and maintaining the beauty of the Denver area.

As a principal of a construction company, he was acutely aware of Denver Water's impact on the community it served. When he joined the Water Board, his influence was both immediate and long lasting. It was Commissioner Roberts who urged the planners of the recycling plant to adopt the "design-build" strategy which has served Denver Water effectively on large projects since.

He was the friend and spokesman of working people as well as the customer, and a strong advocate for Denver Water's Small & Disadvantaged Business program.

"When Bill devoted his energy to something," Denver Water Manager Chips Barry reflected, "he was passionate about it, and he was passionate about representing the people of Denver's water interests."

Denver Water is grateful for the leadership and service provided by commissioner William R. Roberts.

BOARD OF WATER COMMISSIONERS - 2006





Top from left, William R. Roberts, George B. Beardsley;
Bottom from left, Penfield Tate, Denise S. Maes, Thomas A. Gougeon

William R. Roberts, President Marketing Director, Empire Construction Services	*Commissioner since August 12, 1997;* *Resigned October 18, 2005.*
George B. Beardsley, First Vice President Principal, Inverness Properties, LLC	*Commissioner since February 2, 2004;* *Term expires July 10, 2007.*
Penfield Tate III Attorney, Trimble, Tate, Nulan & Evans, P.C.	*Commissioner since October 18, 2005;* *Term expires July 10, 2011.*
Denise S. Maes Attorney, Berenbaum, Weinshenk & Eason	*Commissioner since July 10, 1995;* *Term expires July 10, 2007.*
Thomas A. Gougeon Principal, Continuum Partners LLC	*Commissioner since August 10, 2004;* *Term expires July 10, 2011.*

LAST 20 COMMISSIONERS

Richard S. Shannon, Jr.	Jul 9, 1973 to Apr 18, 1977	Malcolm M. Murray	Aug 25, 1987 to Jul 12, 1993
Don Friedman	Apr 27, 1977 to May 1, 1978	Donald L. Kortz	Aug 25, 1987 to Jul 12, 1993
William G. Temple	Jun 28, 1962 to Jul 13, 1978	Monte Pascoe	Sepr 26, 1983 to Jul 10, 1995
Charles F. Brannan	Dec 14, 1970 to Sep 26, 1983	Romaine Pacheco	Jul 31, 1989 to Jul 10, 1995
James B. Kenney, Jr.	Jan 9, 1976 to Sep 26, 1983	Hubert A. Farbes, Jr.	Jul 8, 1985 to Jul 14, 1997
Charles G. Jordan	Sep 26, 1983 to Jun 28, 1985	Ronald L. Lehr	Jul 21, 1993 to Apr 20, 1999
D. Dale Shaffer	Aug 9, 1978 to Jul 8, 1985	Joe Shoemaker	Jul 10 , 1995 to Jul 9, 2001
John A. Yelenick	Jul 14, 1969 to Aug 25, 1987	Andrew D. Wallach	Jul 18, 2001 to Aug 5, 2003
Marguerite S. Pugsley	May 10, 1978 to Aug 25, 1987	Daniel E. Muse	Feb 10, 2000 to Nov 13, 2003
Elizabeth A. Hennessey	Nov 4, 1985 to Jul 28, 1989	Richard A. Kirk	July 21, 1993 to July 10, 2005

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**Budget Committee

• Denver Water •
2006 Budget

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Chips Barry, Manager

March 1, 2006

Board of Water Commissioners
City and County of Denver
Denver, Colorado 80204-3412

Re: Denver Water 2006 Budget

To Our Customers and Other Interested Readers:

On December 14, 2005 the Board of Water Commissioners adopted Denver Water's budget for 2006. This budget reflects our two principal commitments to our customers: to provide an adequate and reliable supply of high-quality water and to develop additional supplies for the future.

After a multi-year drought and a series of watershed-damaging forest fires, 2005 was a year in which Denver Water saw marked improvements in its reservoir levels. The diligent efforts of our customers to reduce their water consumption, together with a combination of cool and wet weather, good soil moisture content, healthy stream flows, and reduced customer demand, resulted in a total reservoir capacity of just over 96 percent, slightly more than the historical average peak of 94 percent.

On the demand side, water sales were lower than expected in 2005 at approximately 20 percent below historical norms. These reduced sales, coming during a period without drought restrictions or surcharges, raise the very real possibility that Denver Water's customers are reducing their long-term demand patterns and that the utility must be prepared to meet the challenges such changes could bring.

What remained unchanged last year were the utility's operational realities: fixed costs, a substantial set of maintenance tasks, and a customer base that has grown at an annual rate of 1.45 percent and is expected to increase by approximately 3,000 customers in 2006.

Recognizing the impact of reduced water sales, Denver Water trimmed costs in 2005 by streamlining operations, deferring maintenance when possible, limiting hiring, and carrying out other measures to reduce spending as much as possible.

Yet the utility also kept a series of significant capital projects on schedule last year, including the completion of the first phase of the Recycled Water distribution system, the start of construction of the Gross Reservoir hydroelectric project, the design of several key water-distribution system additions, the rollout of improvements to its water-treatment capabilities, and the continuance of work related to the Moffat Collection System Project. It also implemented a number of capacity-planning, conservation, and efficiency efforts that will ultimately improve its ability to serve an increasing customer base more reliably and efficiently.

Looking forward, Denver Water's future will likely be characterized by more climate-based volatility, reduced consumption, and gradual growth in the customer base. If anything, continuing to promote the water-conservation ethic established by customers during the drought will help the utility meet the demands of a growing customer base.

Considering these realities, the utility is making numerous changes of all kinds, for the short and long term. From a financial perspective, it is adjusting the 2006 budget and continuing to analyze costs, add spending controls and improve efficiencies across the organization. For the longer term, it has recalibrated its 10-year

water-sales forecasts and the cost-planning models on which they are based to lower water-sales projections in anticipation that customers will consume less and conserve more.

Denver Water is also making some other important changes to broaden and deepen its long-term fiscal health. Key to those efforts is the restructuring of the utility's water rates, the reevaluation of financial- and operational-planning models, and the strengthening of its cost controls and accountability mechanisms so that it can continue to manage and maintain an adequate and reliable water supply for its customers, carry out its most critical capital and operational projects, and maintain the flexibility to contain costs in the event of another drought or an unforeseen circumstance.

In other arenas, the utility is strengthening ties with its customers and those communities in which its watershed are located. It is also developing methods for communicating and engaging with customers quickly, easily, and effectively in the event of unforeseen circumstances. And it is continuing a dialogue with West Slope communities to solidify its ability to meet its supply-related needs, support reasonable socio-economic objectives of West Slope communities, and provide long-term protection to watersheds in which it operates.

I have outlined some of the more significant efforts related to meeting the challenges of the utility's future in the goals and objectives section below.

2006 Goals and Objectives

Advance an Aggressive, Sophisticated Program to Promote Water Efficiency and Wise Water Use

Water restrictions and a strong conservation message helped preserve precious water during the drought of the past several years. Building upon the insights we gained during that time, we will shift the focus of our day-to-day operations from short-term conservation to permanent water efficiency and wise water use.

To this end, we will work to develop a program of best practices that help our customers to adopt water-efficient behaviors. In conjunction with a program of year-round incentives and rebates, irrigation audits, and demonstrations, we will develop a strong communication plan with a clear message that will convey to our customers the importance of adopting wise water practices even when no drought exists.

Deepen and Broaden the Utility's Fiscal/Physical Health in the Wake of the Drought

As Denver Water weathered the drought, we were able to quickly respond to revenue uncertainties by holding vacant positions open, delaying capital projects, drawing from financial reserves, and reducing operating costs where possible. Now we will design a rate structure that communicates our water efficiency strategy to our customers and allows us to remain fiscally sound. We will also structure our financial-planning efforts so that we can continue to carry out our most critical capital and operational projects while maintaining our flexibility to contain costs in the event of another drought or an unforeseen circumstance.

Refine our Comprehensive Major-Crisis Response Plan

In the event of a terrorist attack, natural disaster, or public health crisis such as an avian flu outbreak, Denver Water will protect the public by continuing to provide a safe, reliable supply of drinking water. In anticipation of such an event, we will refine our plans which define the functions critical to providing that supply. We will work to ensure our staff is cross-trained in critical areas so that we can continue to perform our core functions in the event that a significant number of employees are unable to report to work.

Continue Compliance with Safe Drinking Water Act and Other Regulations

We will continue to monitor the regulatory environment and plan for new and more stringent regulations related to drinking water so that we will be prepared when new rules are promulgated. We currently anticipate forthcoming regulations related to disinfection by-products, copper, and lead. By closely monitoring the industry

and communicating with the appropriate federal authorities, we will ensure that we will be ready to comply with new regulations and provide the highest-quality drinking water to our customers.

Advance Technology Solutions that Promote Communication, Accountability, and Flexibility

In 2006 we will continue our multi-year effort to implement new technologies to help achieve our customer service, financial, and operating objectives. We will continue to implement the new Customer Information System (CIS). Once completed, this system will make it easier for us to track the history of our customer's accounts and provide the flexibility to alter rate structures to achieve our demand-management and revenue objectives.

In addition to the CIS, we are involved in a number of other technology initiatives that will help reduce costs, improve efficiencies, and promote accountability. Our mobile workforce automation project, for example, will provide the tools for us to dispatch, route and track our field personnel. This capability will improve response times and our ability to handle work more efficiently as our customer base continues to grow.

Provide Leadership in Metropolitan and Statewide Water Initiatives

Water supply concerns continue to be prevalent among Front Range and Western Slope communities. We will investigate a wide variety of water-supply solutions for ourselves and work in cooperation with others on their water supply development plans. We will also continue our cooperative efforts to strengthen a Front Range political water coalition as we seek common ground on acceptable Basin-of-Origin proposals and other relevant legislative or administrative actions. We will continue our leadership role as Colorado River water users in Colorado River Compact matters.

Continue a Capital Program that Provides a Reliable Water System at the Lowest Possible Cost

In 2006, Denver Water will direct our capital-planning efforts toward completing projects delayed during the drought. Specifically, we plan to continue to extend recycled water service as appropriate to promote the right use for the right water. In the coming year, we plan to begin work on recycled water storage and pumping facilities at our Capitol Hill and Montclair locations to enable recycled water service extensions.

We will also work to complete the Gross Dam Hydropower Unit as required to maintain our Federal Energy Regulatory Commission (FERC) license. As this project is under construction, we will continue to explore innovative financing options, such as interest-free energy bonds and tax-credit exchanges which may reduce costs to ratepayers.

2006 Budget

Receipts

Denver Water's total receipts are budgeted to be $252.6 million, an increase of $20.0 million over the 2005 budget.

Receipts from water sales are projected to be $164.3 million and reflect the lessons learned during 2005. Our projection for water sales is based on the assumption that the demand for water sales will be 19 percent below the historical norm. This figure is 8 percent lower than the assumption used to project water sales receipts for the 2005 budget. Receipts from the sale of water comprise approximately 65 percent of the total budget for 2006. The projected water sales revenue also includes an average 8 percent rate increase that went into effect on January 1, 2006.

System Development Charges (SDCs) — the fee that builders pay to connect new or expanded developments to Denver Water's distribution system—are expected to total $25.6 million in 2006. The increase reflects a slight growth (1.1 percent) in the level of tap sales and assumes an average SDC rate increase of 8 percent. The SDC increase is likely to go into effect in April. The dollars received from participation projects— costs paid by distributors for distribution facilities— are also expected to increase from $1.9 million in 2005 to $5.0 million in 2006. The increase is primarily due to a contract with Valley Water and Sanitation district.

Debt Service proceeds are budgeted to be $40.0 million. However, a capital financing strategy review is underway that may influence the actual amount.

Operation and Maintenance

Operation and Maintenance expenditures are budgeted at $116.8 million, $4.5 million more than 2005 expenditures.

The majority of the budget increase is due to increases in fuel, chemical, and employee health benefit costs. The effects of Hurricane Katrina and other factors on the national economy have driven up the price of fuel. For example, the 2005 budget assumed 462,000 gallons of fuel at a price of $1.55/gallon for a total of $716,000; the 2006 budget assumes an average per gallon fuel price of $2.65/gallon for the same amount of fuel resulting in a fuel budget that is $508,000 higher.

The hurricanes of 2005 and high demand pressures in new markets such as China will likely to drive up the cost of water-treatment chemicals. In 2006, we anticipate increases as high as 25 percent in the costs of chemicals such as liquid alum, ferric sulfate, and flourosilic acid.

Capital Expenditures

The 2006 Capital Expenditure budget is $97.5 million. This number is $27.5 million more than expenditures for 2005. As described above, many projects delayed in 2005 due to mid-year revenue uncertainties are scheduled to begin in 2006. The Capital Plan reflects a focus on completing several of these large projects.

The 2006 budget consists of 279 individual Capital Projects. Forty of these projects comprise 80 percent of the Capital Expenditures budget. There are 20 projects of $1.0 million or more scheduled for 2006.

Number of Employees

The number of authorized regular full-time employees will decrease by 16 (1.5 percent) to 1,080 in 2006. This number represents a 100 percent staffing level however the 2006 budget contains a 3.5 percent vacancy rate which means that of the 1,080 authorized positions. We estimate that 1,042 will be filled at any given time.

Payroll and Benefits

Budgeted payroll for 2006 is $65.5 million, $3.1 million or 5 percent more than 2005 expenditures. The budget includes decreasing the payroll for vacancy savings, the elimination of the 16 positions mentioned above, the filling of some of the remaining 2005 vacant positions, and an average budgeted pay increase of 2.6 percent.

Employee benefit plan costs are budgeted at $32.2 million for 2006, an increase of 5 percent from 2005 estimates. The increase is primarily attributable to the costs of health insurance for employees. Employee contributions to health care, which will partially offset this expense, will also rise an average of 15 percent in 2006. In addition, the organization is seeking to reduce total health costs through our health clinic, fitness center, and wellness programs.

Debt Service

Debt Service and related costs for 2006 are budgeted at $47.4 million.

Investment Balance
The investment balance for 2006 is estimated to decrease by $9.0 million to $150.2 million by the end of the year, due to use of the funds for capital projects.

2005 Budget Performance

Receipts
Total receipts for 2005 were $229.8 million. Receipts from water sales, the utility's largest source of funds, were $11.6 million less than budgeted. Despite this loss, overall receipts were positively impacted by several factors including unbudgeted land sales, project reimbursements, and higher-than-expected bond proceeds.

Although it was estimated that water consumption would be 11 percent below historical norms for 2005, overall demand for the year was actually down 16 percent. Total water sales receipts were $11.6 million less than budgeted due to the decreased demand.

System Development Charges (SDCs) and Participation combined were $28.1 million, or $2.9 million higher than budgeted.

Receipts for hydropower and project reimbursements were also higher than anticipated in 2005. Many reservoirs were at or near capacity in 2005, enabling the utility to generate more power than anticipated when the budget was set. As a result, receipts from hydropower generation were $1.1 million above budget. We also received a $0.65 million reimbursement for our work on the regional highway project (T-REX) from the Colorado Department of Transportation.

Denver Water anticipated issuing $25.0 million in debt for 2005. However, due to mid-year revenue uncertainties and favorable market conditions, $30.0 million in debt was issued during the year.

Interest received from Denver Water's investment portfolios totaled $5.6 million, $1.4 million higher than budgeted due to a series of Federal Reserve rate increases.

Capital Expenditures
In 2005, Capital Expenditures totaled $70.0 million. This figure was $18.7 million, or 21.1 percent, less than budgeted. This variance is primarily due to projects which the Board directed to delay mid-year amid uncertainties regarding water supply and associated revenue. In total, 18 projects were delayed: of these all but two have been carried forward and are included in the 2006 Capital Work Plan.

Operation and Maintenance
In 2005, Operation and Maintenance expenditures of $111.4 million exceeded the budget by $4.1 million (3.8 percent). These higher expenditures were due to increases in the cost of utilities ($2.5 million over budget); health insurance claims ($1.2 million over budget) and refunds ($730,000 over budget). These increases were partially offset by cost reductions of $2.6 million in contracts for other services.

Debt Service
Debt Service and Related Costs of $44.7 million were slightly above the budgeted amount of $44.4 million. In 2005, the Board issued $30.0 million (face value) in water revenue refunding and improvement bonds. The variance in Debt Service and Related Costs was due to timing of the issuance, which occurred approximately two months earlier than anticipated.

Number of Employees
The number of employees at the end of 2005 was 1,036.3. The total was made up of 1,012.7 regular and introductory employees and 23.6 temporary, casual, and project employees. This figure represents a 6.4 percent vacancy rate, which is higher than our typical vacancy rate of 3.5 percent and is due to holding positions vacant in light of revenue uncertainties.

Payroll and Benefits
Payroll expenses in 2005 were $62.4 million; $1.5 million (2.3 percent) less than budgeted. These savings were in addition to a vacancy savings rate of 4.5 percent built into the 2005 budget. Benefits costs for 2005 were $30.7 million.

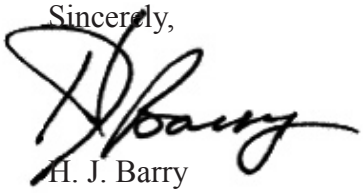
Investment Balance
For year-end 2005, the Investment Balance of $159.3 million was $12.0 million more than budgeted.

Financial Overview

Denver Water's financial status is strong and is projected to continue to be so over our planning horizon of 10 years. The underlying ratings by Moody's, Fitch Ratings, and Standard and Poor's of our revenue bonds are Aa3, AA+, and AA, respectively. We will continue to monitor capital expenditures, water rates, debt levels, and investment balances to minimize rate increases or unanticipated large fluctuations in water rates. Over the next 10 years, financial indicators for Denver Water are projected to remain strong and within conservative and prudent limits.

I am confident, as outlined in this letter, that this budget provides a responsible plan for physical and financial operations and the development of the Denver Water system in the next year.

Sincerely,



H. J. Barry
Manager

Charter Directives, Mission and Strategic Plan

Charter Directives

Denver Water was established in 1918 by the people of Denver as an independent agency with duties and responsibilities specifically spelled out in the City Charter. Since that time, the Denver Board of Water Commissioners has supplied water to Denver and contract distributors adjacent to Denver in accordance with the following charter directives: (See service area map on page 24).

> The Board shall "…have complete charge and control of a water works system and plant for supplying the City and County of Denver and its inhabitants with water for all uses and purposes*." Charter of the City and County of Denver, Section 10.1.1.*

> The Board shall fix rates which "…shall be as low as good service will permit.. "and".. may be sufficient to pay for operation, maintenance, reserves, debt service, additions, extensions, betterments, including those reasonably required for the anticipated growth of the Denver Metropolitan area and to provide for Denver's general welfare." *Charter of the City and County of Denver, Section 10.1.9.*

Mission

Denver Water will provide our customers with high quality water and excellent service through responsible and creative stewards of the assets we manage. We will do this with a productive and diverse work force. We will actively participate in and be a responsible member of the water community.

Strategic Plan Vision

The Strategic Plan is the basis for setting priorities and determining Denver Water's future direction.

Leadership

- We will maintain the Denver Water system as one of the best in the country.
- We will respect the natural environment.
- We will be a leader in water conservation.
- We will participate and provide leadership in all major Front Range water supply and water quality issues.
- We will encourage and create cooperative projects with others.
- We will possess credibility and influence with public, regulatory community, media and decision-makers at all levels of government.

Products & Services

- We will provide drinking water that is always safe and meets our customers' expectations of quality and reliability.
- Our customers will be pleased with our service, responsiveness and courtesy.
- Our customers will believe that they receive high value for the cost of their water.
- Our facilities will be well-maintained, running efficiently and reliably.
- We will provide non-potable water for irrigation and industrial purposes.
- We will take increasing advantage of technology to meet our goals.
- We will anticipate new markets in order to provide ancillary products and services.
- We will accommodate the recreational interests of the public, where practicable.

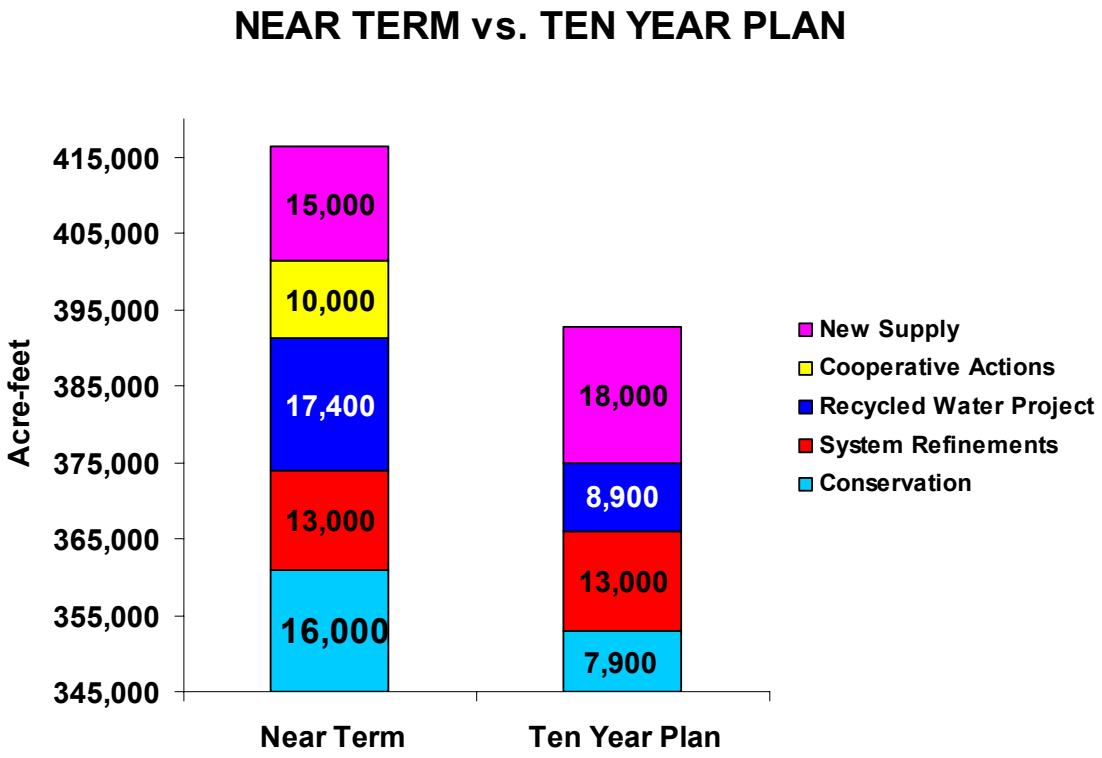
Organization

- We will recognize and value the contributions of employees at every level.
- We will remain a municipal organization that serves an increasing customer base without significant increases in numbers of employees.
- Our Management and Staff will be worthy of the Board's trust and confidence.
- Our entire organization will work diligently as a team, committed to the goals of the organization.
- Our organizational culture will encourage open communication, creativity, risk taking and learning at all levels for the continual improvement of our products and services.
- Our organization will accommodate a changing work force, including differing technological skills, languages, backgrounds and family demands.
- Our employees and distributors will take pride in the professionalism of Denver Water.
- We will emphasize the safety and health of employees.
- All of our employees will be familiar with events and procedures at Denver Water and will be able to explain them to others.
- All of our employees will possess the skills and accept the reponsibility to manage their own careers.

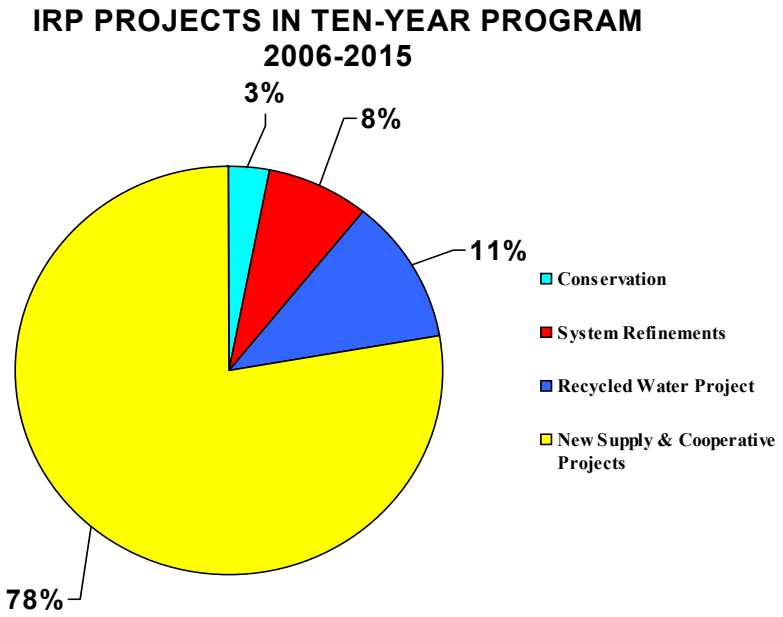
Integrated Resource Plan

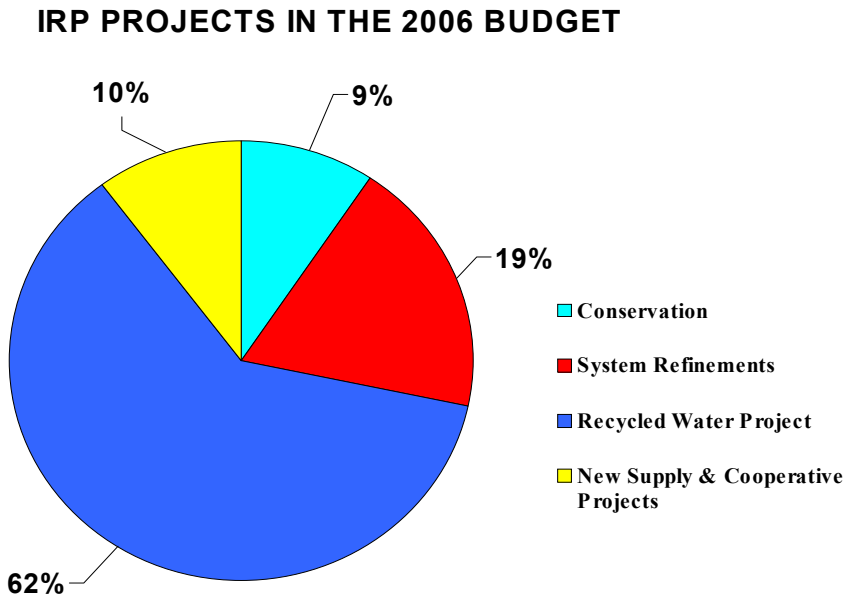
In addition to meeting existing customers' needs today, Denver Water must also plan for and meet future customer needs. For that reason, Denver Water conducts a continual and dynamic Integrated Resource Planning (IRP) process. Based on that process, the Board issued a Resource Statement in 1996 to define how Denver Water expects to meet future customers' needs. In 2001, Denver Water staff provided the Board with a status report on staff's efforts to implement the 1996 Resource Statement. A second major update of the IRP is anticipated to be completed in early 2007.

Results of the IRP indicate that additional water supply, water reuse, and/or demand management will be required after 2016. By 2050, Denver Water will need an additional 75,000 acre-feet of water over existing supplies to meet customer demand assuming the Board maintains the full 30,000 acre feet of safety factor. The Board's Resource Statement mapped out a near term strategy that emphasizes aggressive conservation, non-potable reuse, and low cost system refinements as the first means of meeting demand beyond 2016. The initial implementation of that strategy is expressed in the Board's current Ten-Year Program as presented below.



The continuity of 2006 Annual Budget expenditures with the Ten Year IRP implementation Plan is presented below.





Integrated Resource Plan Projects
(Thousands of Dollars)

The table below presents 2006 Annual Budget, Ten-Year Program, and total planned expenditures by specific IRP categories and projects.

IRP Projects (Listed in IRP order*)	2006 Budget	Ten-Year Program Costs (2006-2015)	Total Project Cost	Estimated Additional Water Yield (Acre-Feet)	Estimated Cost/Acre Ft.
CONSERVATION					
Outdoor Irrigation Efficiency	1,688	3,170	48,200	17,700	2,723
Xeriscape – General	339	350	2,290	926	2,473
Xeriscape – DW Properties	400	1,210	2,400	78	30,769
Indoor Use (C/I Processes, Cooling Twrs., Washe	211	5,100	20,575	13,750	1,496
Subtotal	**2,638**	**9,830**	**73,465**	**32,454**	
RECYCLED WATER PROJECT					
Recycled Water Project	**17,344**	**36,100**	**164,000**	**17,660**	**9,287**
SYSTEM REFINEMENTS					
Gravel Pit Storage	4,809	18,200	51,000	5,000	10,200
Central Platte Valley Parks	0	0	4,500	**	
High Line Canal Water Yield Project	212	2,590	2,650	3,000	883
City Ditch Water Rights Transfer	5	400	420	**	
Lower Chatfield Reservoir Pump Station	73	2,630	5,200	3,000	1,733
Lawn Irrigation Return Flows	208	400	2,300	500	4,600
Farnell Lane Water Rights Transfer	5	0	200	150	1,333
Meadow Creek Water Rights	9	0	9,000	1,200	7,500
Antero Contract Rights	10	20	3,000	414	7,246
Elk Creek Water Rights	0	0	200	60	3,333
Platte Canyon Reservoir Outlet	0	0	600	200	3,000
Marston Seepage	0	0	310	400	775
Willis Case Golf Course & Rocky Mtn. Park	0	0	3,800	305	12,459
Subtotal	**5,331**	**24,240**	**83,180**	**14,229**	
NEW SUPPLY & COOPERATIVE PROJECTS					
Cooperative Project Southern Tier	1	40	Unknown	Unknown	Unknown
Cooperative Project Northeast Tier	10	100	Unknown	Unknown	Unknown
Cooperative Project-Aurora/S.Park Alternatives	7	200	Unknown	Unknown	Unknown
Moffat Collection System Project	2,909	243,870	Unknown	Unknown	Unknown
Subtotal	**2,927**	**244,210**	**Unknown**	**Unknown**	**Unknown**
GRAND TOTAL	**28,240**	**314,380**	**Unknown**	**Unknown**	**Unknown**

***Please note – the projects are categorized as they appear in the IRP and not as they are classified in the 2006 budget document.**

****Yields are included in the Recycled Water Project Yield.**

Financial Policies

The financial policies set forth below are the basic framework for the financial management of Denver Water. The policies are intended to assist members of the Denver Board of Water Commissioners (Board) and Denver Water's staff in evaluating current activities and proposals for future programs. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

Basis of Accounting and Financial Reporting

1. The fiscal year for Denver Water shall begin on January 1 of each calendar year and will end on December 31 of the same calendar year.

2. Following the conclusion of the fiscal year, the Accounting section shall publish its financial reports and a Comprehensive Annual Financial Report (CAFR) prepared in accordance with generally accepted accounting and financial reporting principles established by the Governmental Accounting Standards Board.

3. The CAFR shall include the audited financial statements, including the opinion of the independent certified public accountants.

4. The Accounting section shall, each quarter, analyze and issue quarterly reports comparing financial results for the quarter and year to date with the same periods for the prior years.

5. Fixed asset records shall be maintained that provide sufficient detail information for monitoring, management and periodic inventorying of its facilities, land and water rights.

Annual Budget

1. Denver Water's Manager and Staff will prepare the annual budget in the context of a long-term financial plan.

2. The Board shall, at its option, appoint one or more of its members to a budget review committee to meet with the Manager and Directors to review and provide guidance for the Long Range Plans and Annual Budget.

3. The Budget section, prior to the end of December each year, shall submit to the Board the annual budget covering the next fiscal year. The budget shall contain the following information:

    a. A letter from the Manager discussing the proposed financial plan for the next fiscal year, a review of the previous year's activities and the current financial condition of Denver Water.

    b. Proposed capital, operation and maintenance and debt service expenditures by program and type of expenditure for the budget year, along with comparisons to estimated expenditures for the current year and actual expenditures for two prior years.

    c. Proposed receipts, by source, for the budget year, along with comparisons to estimated receipts for the current year and actual receipts for three prior years.

    d. Debt policies and a comparison of actual ratios to target ratios.

    e. A table of organization with proposed staffing levels by division and section, along with comparisons to staffing levels for the current year.

f. An allocation of investment balances to system operations, normal replacements and improvements, debt service, self-insurance and future capital projects.

4. At least one public Board meeting shall be conducted prior to adoption of the budget.

5. The Board shall review the budget, making any additions or deletions they feel appropriate, and shall, prior to the end of the year, adopt the budget by quorum. If the Board fails to adopt the budget, Denver Water shall continue to operate with specific instructions from the Board regarding debt service, system operations and capital expenditures.

6. On final adoption, the budget shall be in effect for the budget year. It shall guide the activities of the Manager and Staff for the budget year.

7. The annual budget document shall be published in conformance with the Government Finance Officers Association's Distinguished Budget Program criteria. The final budget document shall be published no later than 90 days following the date the Board adopts the budget.

8. The Budget section shall monitor and report to the Manager and Staff the actual receipts and Expenditures and shall compare them to budgeted receipts and expenditures on a monthly and year-to-date basis.

Revenues

1. Denver Water will set rates and fees at a level that recovers the projected full cost of providing service pursuant to the City Charter.

2. Under certain circumstances, such as during times of drought, a temporary rate, charge, fee or surcharge may be adopted to support the Board's short-term goals, meet unanticipated costs, supplement lost revenues and when deemed necessary, enforce other short-term or temporary needs.

3. The collection and use of temporary or unpredictable revenue sources shall not be relied upon to provide for ongoing capital or operation and maintenance activities.

Expenditures

1. In planning expenditures, Denver Water will follow the City Charter's mandate to keep rates as low as good service will permit. In general this means that Denver Water will properly maintain its facilities and continuously seek ways to operate more efficiently.

2. Debt policies are provided in Section 6 Debt Service, beginning on page 95.

Balanced Budget

Denver Water balances its budget by the planned use of or contribution to investment balances. The designated balances are maintained to provide for financial impacts to operation and maintenance, capital replacement, debt service and self-insurance. This approach is in accordance with the City Charter, which allows the accumulation of funds for improvements of such magnitude that they cannot be acquired from the surplus revenues of a single year.

Long Term Financial Plans

1. Denver Water's Manager and Staff shall annually prepare a capital project plan that shall identify all capital improvements likely to be needed during the next ten years to satisfy projected growth in demand for water and to maintain existing capacity to provide water.

2. Each year the Manager and Staff will prepare a ten-year Operations and Maintenance Plan that shall identify expenses for normal operations, including significant changes to current operations and expenses arising out of planned capital projects.

3. Each year Denver Water will develop a ten-year Financial Plan which incorporates projected revenues and expenditures included in the Capital and Operation & Maintenance Plans. The ten-year Financial Plan shall be used to develop one or more scenarios for financing projected expenditures.

4. The long-term plans will incorporate the Manager and Staff's assumptions with respect to revenues, expenditures and changes to designated balances over a ten-year horizon. The assumptions will be evaluated each year as part of the long-range planning and budget development process.

The Budget Process

Overview

The Board's policies that guide Denver Water are outlined in the Strategic Plan and Integrated Resource Plan. The Strategic Plan provides the overall mission. The Integrated Resource Plan provides specific operational policies regarding future water demand and supply options. A summary of these policies is on pages 3-5. The long-range plans are the financial expressions of these governing factors over a ten-year period. The annual budget is the definition of needs and allocations of available resources to accomplish the next year of the long-range plans.

Long Range Planning

Denver Water maintains long-range (10 years) capital, operation and maintenance and financial plans that are updated annually. The Ten-Year Capital Plan projects additions, improvements and replacements to water system facilities, based on projected demands for water (Integrated Resource Plan), Federal and State regulations and ongoing system requirements. It is used as the basis for projecting the annual Capital Work Plan. The Ten-Year Operation and Maintenance Plan includes the ongoing costs of operating and maintaining the water system and the impact of the Ten-Year Capital Plan on operations. The financial plan projects compliance with debt covenants and the year-end targeted investment balance. Alternative financial plans that address estimated revenue shortfalls are also projected as a part of the long-range planning effort.

Annual Work Plan Budgets

The detailed annual work plan budgets for operation and maintenance activities, debt and capital projects are developed during the budget process each year. These budgets are substantially based on the budget year projections provided by the long-range plans. These work plans itemize the cost of activities and projects within each program (See page 51 for description of programs).

Annual Budget Preparation

The annual budget is prepared on a program budget basis that follows the flow of water from the sources of raw water to customers' taps and cuts across organizational boundaries. The focus is first on what Denver Water as a whole is doing (what our resources are used for), then on organizational structure (the divisions and sections expending the resources), and then by type of expenditures (what types of resources – payroll, services, etc., are being used). The intent of this particular format is to facilitate the reader's understanding of how we are accomplishing our mission to serve our customers needs in the past, present and future.

All Cost Control Centers prepare their budgets on a capital project, operations and maintenance activity, by type of expenditure, by month basis. Budget development, monitoring and control reports are then available to budgeters and managers from project, Cost Control Center, and type of expenditure perspectives at summary and detail levels. The annual Capital Work Plan budget consists of 279 specific projects. The Operation and Maintenance Work Plan budget includes 244 specific activities. While some Cost Control Centers may budget to as few as four or five projects and activities, others may budget to 50 or more. This method provides the detailed "working" budget and reporting mechanism for in-house purposes.

Cost Control Centers enter their budgets into a centralized computer system. This system is able to provide budget and actual information for combinations of cost control center, master plan item (projects and activities) and types of expenditures for any month or year-to-date of months.

The Cost Control Center budgets are then combined to collect costs on a department-wide basis for each of the projects and activities in the work plans. The information contained in the work plans and Cost Control Center budgets is summarized in this document.

Budget Basis

The annual budget is prepared on a modified accrual basis in which expenditures are reported and budgeted "as booked." The difference between expenditures "as booked" and disbursed is then included in Supporting Activities (Operation and Maintenance) as an adjustment. The adjustment converts the budgeted expenditures to a cash basis in order to project the ending investment balance. This differs from the basis of accounting, which uses the full accrual method in accordance with the Generally Accepted Accounting Principles (GAAP).

Budget Schedule

The 2006 budget development schedule on page 11 shows the process from the Integrated Resource Plan to Long Range Planning process to development of the annual budget and resulting budget approval by the Board of Water Commissioners.

Budgeting Units

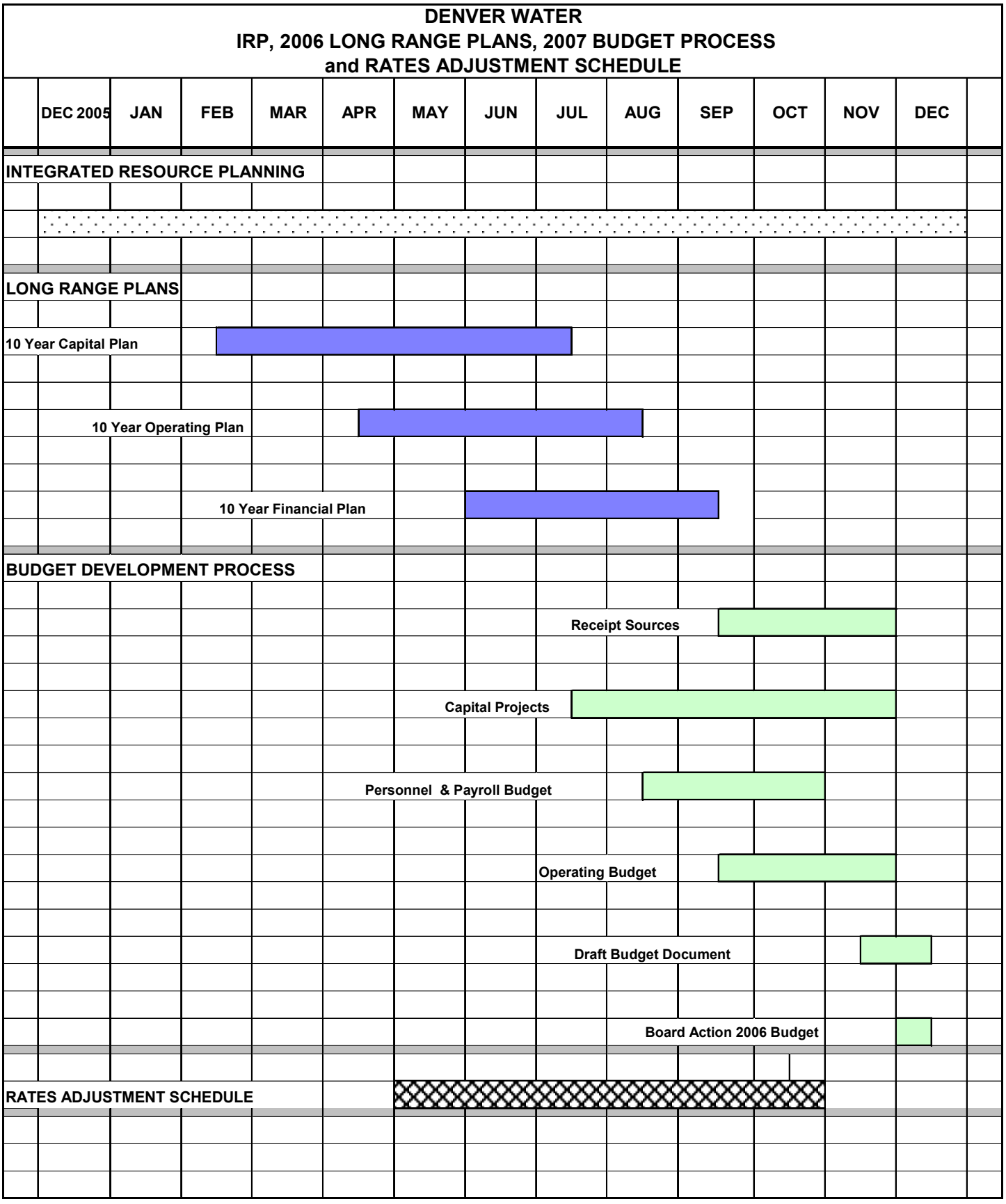
Denver Water is divided into eight operating divisions totaling ninety-three budgeting units or cost control centers. Eighty-two of these cost control centers are comprised of groups of employees based on organizational structure. The remaining eleven are used to budget and control office furniture and equipment, personal computers, related expenditures and adjustments.

Amending the Budget

Amounts budgeted for specific projects and activities may be revised through the issuance of a special authorization. A special authorization request showing the budget code, cost control center(s) involved, reason for variance, amount of variance, revised estimate and schedule is prepared by the requesting Division. It is then approved by that Division Director and, if needed, the Manager, who will determine if Board approval is also required.

Budget Presentation and Approval

Denver Water is not required by City Charter or state law to make its draft budget available to the public prior to its adoption by the Board of Water Commissioners. The preliminary 2006 budget was reviewed by the Board's Budget Committee, presented in summary at one or more public Board meetings and presented in draft to the entire Board prior to its approval.


DENVER WATER
IRP, 2006 LONG RANGE PLANS, 2007 BUDGET PROCESS
and RATES ADJUSTMENT SCHEDULE
DEC 2005
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
INTEGRATED RESOURCE PLANNING
LONG RANGE PLANS
10 Year Capital Plan
10 Year Operating Plan
10 Year Financial Plan
BUDGET DEVELOPMENT PROCESS
Receipt Sources
Capital Projects
Personnel & Payroll Budget
Operating Budget
Draft Budget Document
Board Action 2006 Budget
RATES ADJUSTMENT SCHEDULE

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award of Distinguished Budget Presentation to Denver Water, Colorado for its annual budget for the fiscal year beginning January 1, 2005. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Budget Controls and Updates

Periodic reports are provided to the Board of Water Commissioners, Manager, Division Directors, Cost Control Center Managers and Budget Coordinators. Key reports include:

Monthly Budget Status Summary - Provided to the Board, Manager and Division Directors. Compares receipts to related capital and operating expenditures for the year-to-date, broken down by type of expenditure. Budgeted and actual billed revenues are graphically compared to receipts from water sales by month-end and year to date.

Monthly Budget Status Report - Provides the Manager and Division Directors with graphs and summary tabulations of actual and budgeted receipts and expenditures for the month and year to date. Also included are explanations of major receipt, expenditure and investment balance variances and graphs showing each division's budget performance. Divisional Budget Coordinators also receive this information plus a detailed Receipt and Expenditure Budget report and a Gross Payroll Budget report by Division and Cost Control Center.

Monthly Cost Control Center Budget Report - Each Cost Control Center is provided with a comparison of month and year-to-date actual and budgeted expenditures by type of expenditure (Payroll, Materials, etc.). Annual budget amounts are also shown for comparative purposes.

Monthly Cost Control Center by Master Plan Item Report - This is a summary level report. Focus is on the capital projects and operation and maintenance activities that a cost control center has budgeted and/or charged during the year.

Monthly Budget Variance Explanation Report - Each month, cost control centers are required to explain significant variances between budgeted and actual expenditures.

Intranet Expenditures Budget Reports – Flexible budget reporting is available to all budgeters through the Intranet. Budgeters are able to make budget to actual comparisons for projects, cost control centers and type of expenditure combination, and "drill-down" to detail levels to obtain additional information as desired.

Additional Reporting – Additional reports can be created by the budgeters in the format and levels of detail required from the budget system.

Financial Structure

Denver Water is limited by City Charter to have only one fund, the Water Works Fund, for all its receipts and expenditures. The balance of the Water Works Fund is referred to in this budget document as the Investment Balance.

The Chart of Accounts utilized by Denver Water generally follows the structure presented by the National Association of Regulatory Utility Commissioners for Class A Water Utilities. The accounting system adheres to standards set by the Governmental Accounting Standards Board (GASB) and is audited annually by an independent CPA firm.

The Water Works system is completely funded through rates, fees and charges for services provided by Denver Water. Denver Water is an enterprise fund and there are no transfers to or from the general fund of the City and County of Denver.

Generally, water rates pay for operation and maintenance expenses, repair and capital replacements and modifications to existing facilities, and debt service. Capital expenditures for new facilities and water

supply are generally funded from other non-rate sources of funds: system development charges, participation charges from developers, and reimbursements. Debt may be used to supplement these non-rate sources and is repaid from both rates and non-rate sources.

How to Read the 2006 Budget

From Summary to Detail

The 2006 Budget is arranged for easy reference. An overall summary is provided at the beginning of the budget. Summary level information is also presented at the beginning of each section within the budget document. Additionally, the narratives include references to related information found elsewhere in the document.

Components

Furthermore, each section of this budget booklet describes a particular component of the budget, as follows:

For a summary overview of the entire 2006 Budget - Read Section One. This section provides an overview of 2006 budgeted receipts, expenditures, designated balances and number of employees. It also includes a brief history of Denver Water maps showing the area served and location of major facilities.

For a receipt forecasts - Read Section Two. This section provides information on all types of receipts.

For expenditures by program - Read Section Three. This section categorizes expenditures by program. Each major component of the process of providing water to our customers; raw water, recycled water, treatment, delivery to customers, and general operations, are considered as programs. Each program is then further broken down into operation and maintenance and capital components. This format allows evaluation of the cost of each component of providing water from source to customer, down to detailed operation and maintenance activities and capital projects. It indicates why (for what activity or project) the expenditures are made. Information on both operation and maintenance activities as well as capital improvement and replacement projects is also provided.

For expenditures by type - Read Section Four. This section classifies total expenditures according to what was purchased, without regard to the activity or whether the expenditure was operation and maintenance or capital in nature. This section has information on the expenditures for labor, purchases of materials, services, equipment, construction contract payments, debt service and refunds.

For information on Denver Water's organizational structure and performance measures - Read Section Five. This section shows detailed number of employees, table of organization, activities by division and key performance measures for the organization.

For information on debt - Read Section Six. This section includes Denver Water's debt policy, debt service schedules and description of Certificate of Participation projects.

For information on cash flow - Read Section Seven. This section shows the impact of the 2006 budgeted receipts and expenditures on the designated balances and describes how these balances are to be used.

For terms used in the budget document - Read Section Eight. This section contains a glossary of terms.

Section 1 - 2006 Budget Summary

2006 Beginning Investment Balance

The 2006 Budget begins with an investment balance of $159.3 million. Changes to the investment balance for prior years are detailed on page 101.

Receipts

Total receipts for 2006 are projected to be $252.6 million, including $164.3 million from the sale of water. This projection is based on the assumption that demand for water sales will be 19% below historical norms. This assumption is 8% lower than the one used to project Water Sales receipts for the 2005 budget. Non-operating, interest, hydropower and other receipts total $14.9 million. Receipts used for the construction of new facilities include $5.0 million from participation receipts (payments to the Board for capacity in specific facilities to serve specific groups of customers) and $25.6 million from System Development Charge receipts (tap fees).

Reimbursements total $2.7 million. This includes $1.7 million from S. Adams County, $500,000 from Arvada for the Moffat Collection System Project and $340,000 from numerous smaller projects based on historical trend. Proceeds from debt financing for 2006 are budgeted at $40.0 million.

Expenditures

Total 2006 expenditures are budgeted at $261.7 million. Operation and maintenance expenditures are budgeted to be $116.8 million. Capital expenditures are budgeted at $97.5 million. Debt service and related costs net of Interest on the debt service reserve funds are budgeted to be $47.4 million.

Major capital projects, which are discussed in detail beginning on page 56, include construction of the Gross Dam Hyrdro-electric powerhouse ($8.4 million), projects related to the distribution and storage of recycled water ($16.5 million), gravel pit storage projects below the Metro Wastewater plant ($4.8 million), and capitalized computer systems and equipment ($11.2 million).

2006 Ending Investment Balance

The 2006 budgeted expenditures of $261.7 million are $9.1 million more than projected receipts of $252.6 million resulting in a projected ending investment balance of $150.2 million. The investment balances for system operations and capital are maintained to cover a portion of: (1) operation and maintenance, (2) non-expansion capital, (3) debt service, (4) self-insurance and (5) future capital projects. For more details, see Section 7, Investment Balance.

Summary 2006 Number of Employees

The 2006 proposed regular and introductory number of employees of 1,080 is net decrease of 16.0 over the 2005 approved staffing level. A comparison of 2003 through 2005 actual, and budgeted 2006 regular and introductory employees by division is shown on page 79. Details of changes in authorized regular staffing levels is available on page 82. A summarized organization chart that shows reporting relationships is on page 83.

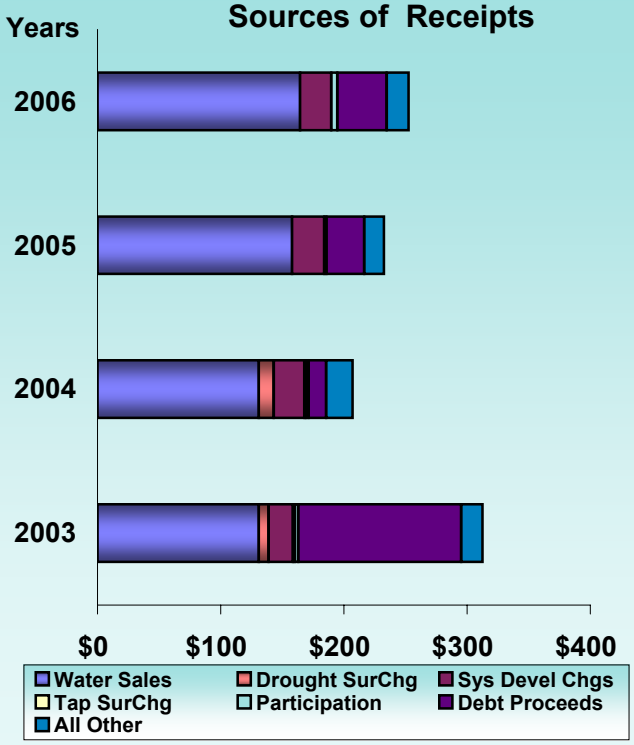
The Budget at a Glance 2003 - 2006

(Millions of Dollars)

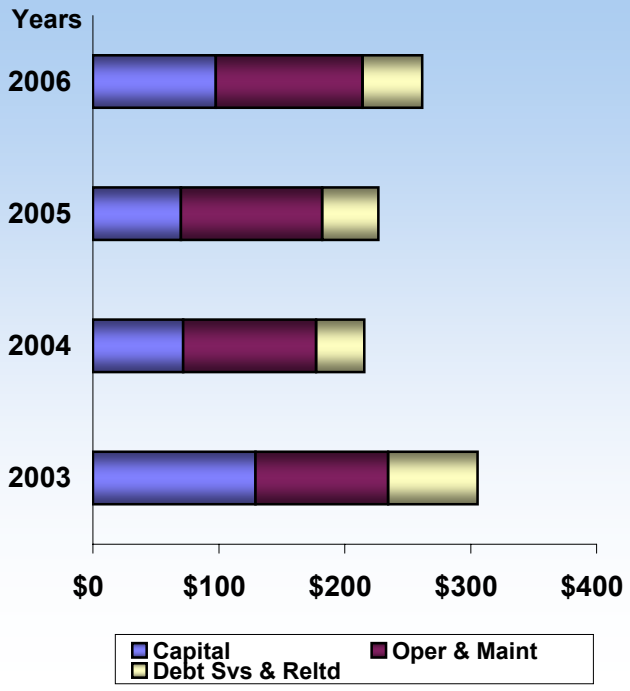
2003 - 2006 Receipts and Expenditures

	2003 Actual	2004 Actual	2005 Actual	2006 Bud
Water Sales	$131.0	$130.8	$157.9	$164.3
Drought SurChg	8.0	12.4	0.0	0.0
Sys Devel Chgs	19.6	24.9	26.3	25.6
Tap SurChg	1.6	1.2	0.0	0.0
Participation	2.8	2.2	1.9	4.9
Debt Proceeds	132.4	14.3	30.5	40.0
All Other	17.3	21.5	16.0	17.8
Total Receipts	$312.7	$207.3	$232.6	$252.6
Capital	$129.0	$71.6	$70.0	$97.5
Oper & Maint	105.5	105.7	112.2	116.8
Debt Svs & Reltd	71.3	38.4	44.7	47.4
Total Expend	$305.8	$215.7	$226.9	$261.7
Net Cash Flow	$6.9	($8.4)	$5.7	($9.1)
Reg Employees	1,042	1,028	1,025	1,043
Customer Accts	295,000	299,000	302,000	304,000

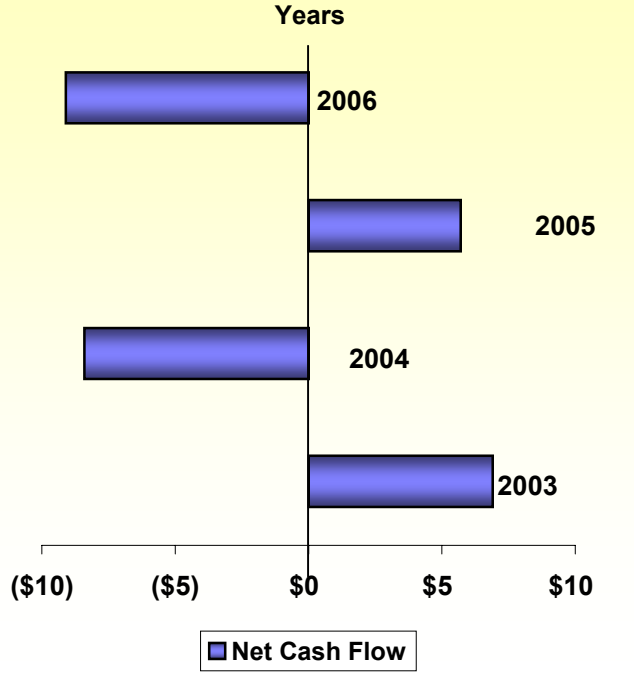
2003 - 2006 Sources of Receipts



2003 - 2006 Uses of Expenditures



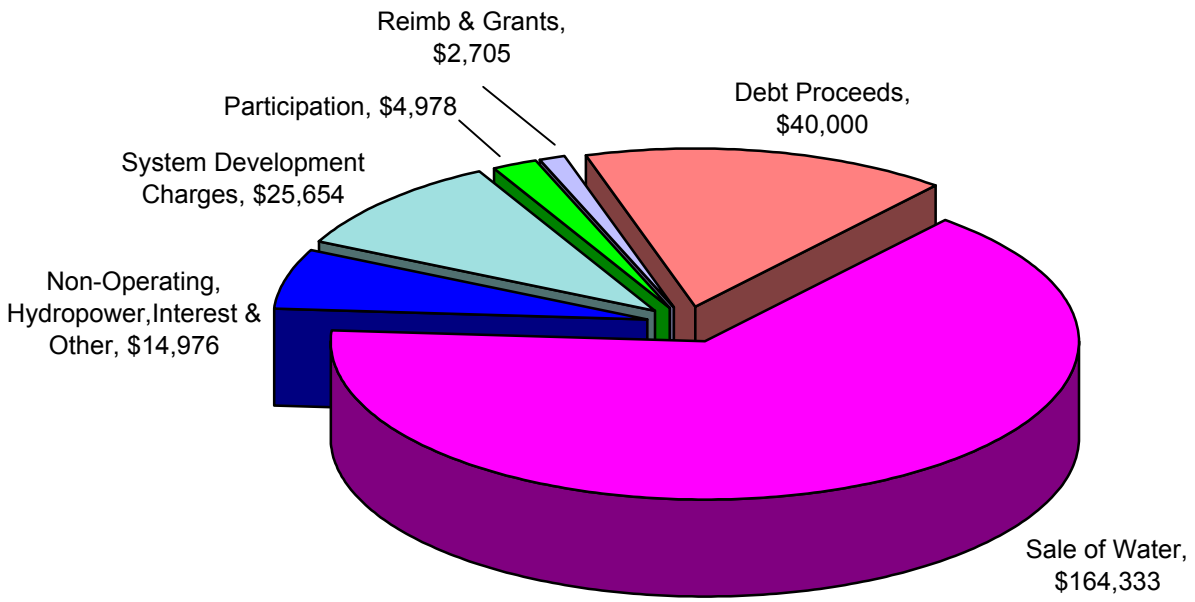
2003 - 2006 Net Cash Flow



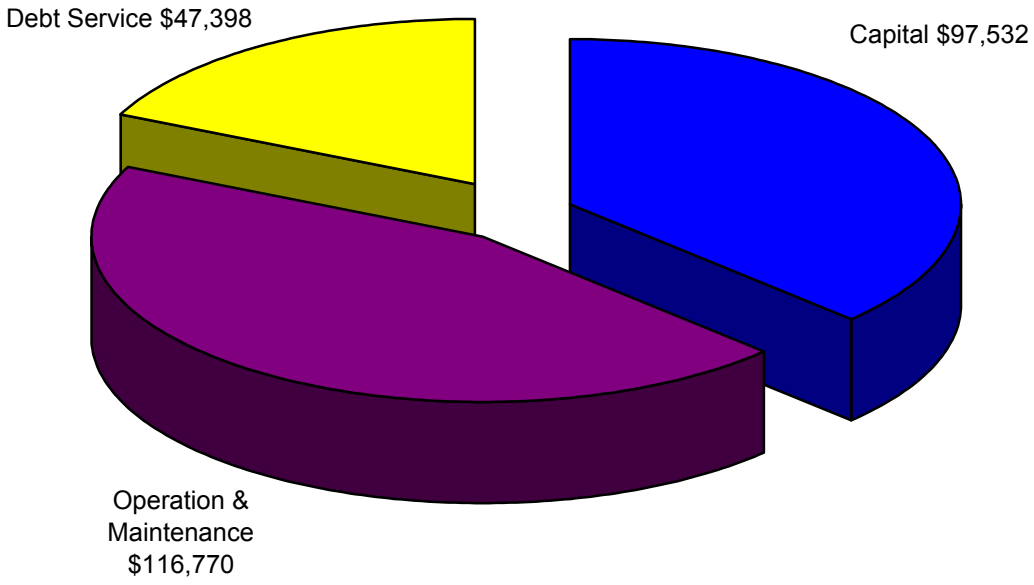
Summary of Receipts and Expenditures 2005 - 2006

	2005 Budget	2005 Actual	2006 Budget
Beginning Investment Balance	$ 154,996,000	$ 155,626,000	$ 159,276,000
Receipts from:			
Sale of Water	$ 169,492,000	$ 157,902,000	$ 164,333,000
Drought Surcharge & Rebate	(2,657,000)	68,000	
Non-Operating, Hydropower, Interest, & Other	15,202,000	13,287,000	14,976,000
System Development Charges	22,586,000	26,280,000	25,654,000
Participation	2,593,000	1,850,000	4,978,000
Reimbursements & Grants	450,000	762,000	2,705,000
Subtotal	$ 207,666,000	$ 200,149,000	$ 212,646,000
Debt Proceeds	25,000,000	30,500,000	40,000,000
Total Receipts	$ 232,666,000	$ 230,649,000	$ 252,646,000
Less Expenditures for:			
Operation & Maintenance Programs:			
Raw Water	$ 17,194,000	$ 16,597,000	$ 17,341,000
Recycled Water	4,092,000	4,455,000	4,616,000
Water Treatment	23,330,000	24,508,000	25,959,000
Delivery	27,280,000	35,854,000	33,522,000
Conservation	7,380,000	3,653,000	6,124,000
Customer Service	12,785,000	14,079,000	15,768,000
General Plant	15,232,000	13,129,000	13,440,000
Total Operation & Maintenance Expenditures	$ 107,294,000	$ 112,275,000	$ 116,770,000
Capital Programs:			
Raw Water	$ 26,449,000	$ 14,209,000	$ 27,244,000
Recycled Water	2,406,000	3,941,000	17,861,000
Water Treatment	5,139,000	6,040,000	5,970,000
Delivery	27,157,000	27,710,000	22,857,000
Conservation	6,778,000	3,042,000	2,475,000
Customer Service	4,170,000	3,628,000	1,600,000
General Plant	16,560,000	11,422,000	19,525,000
Total Capital Expenditures	$ 88,658,000	$ 69,992,000	$ 97,532,000
Debt Service, Related Costs and Interest on Reserve Funds	$ 44,428,000	$ 44,732,000	$ 47,398,000
Total Expenditures	$ 240,380,000	$ 226,999,000	$ 261,700,000
Net Cash Flow	(7,714,000)	3,650,000	(9,054,000)
Ending Investment Balance	$ 147,282,000	$ 159,276,000	$ 150,222,000

2006 RECEIPTS BUDGET
$252,646
(Thousands of Dollars)

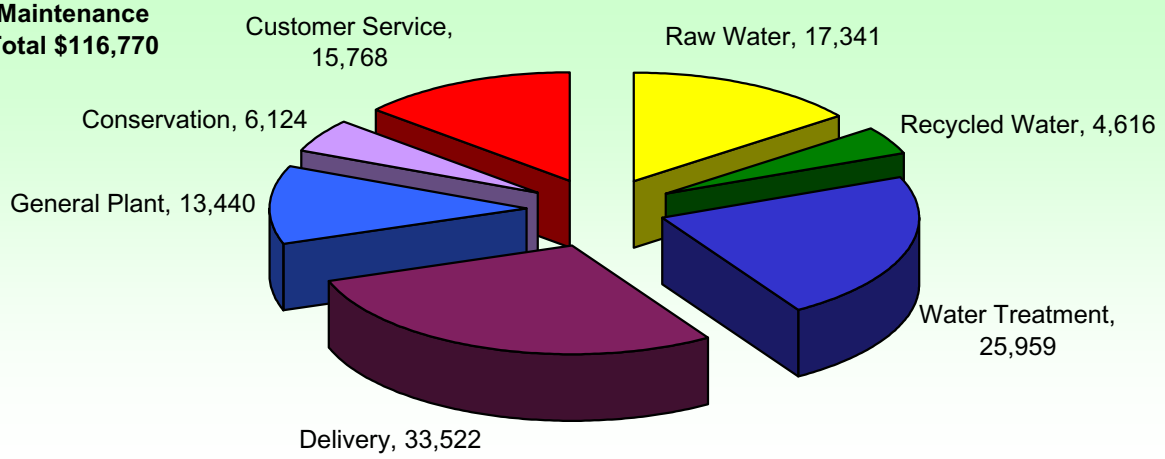


2006 EXPENDITURES BUDGET
$261,700
(Thousands of Dollars)

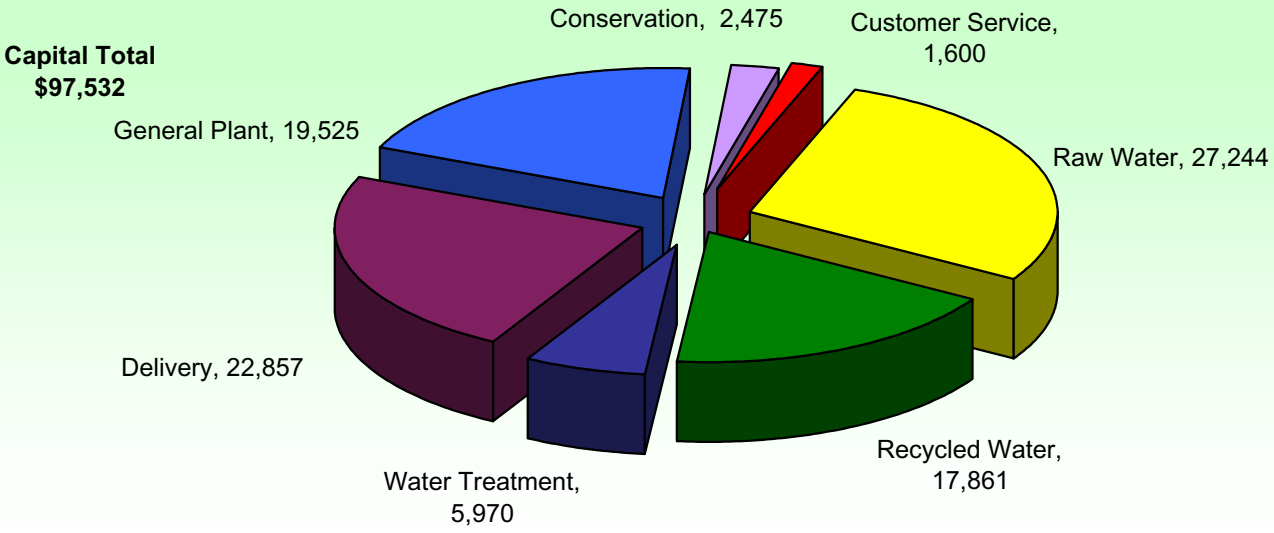


2006 PROGRAM BUDGET
(Thousands of Dollars)

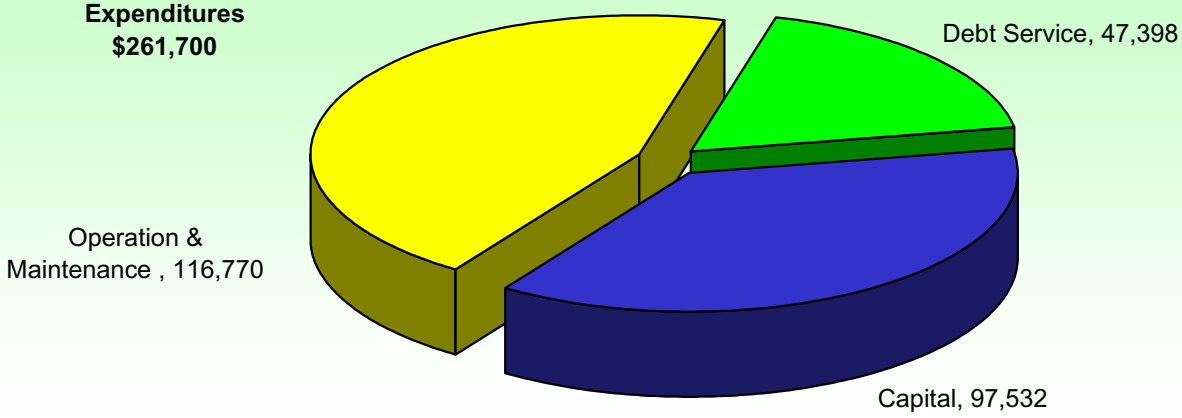
Operation & Maintenance Total $116,770

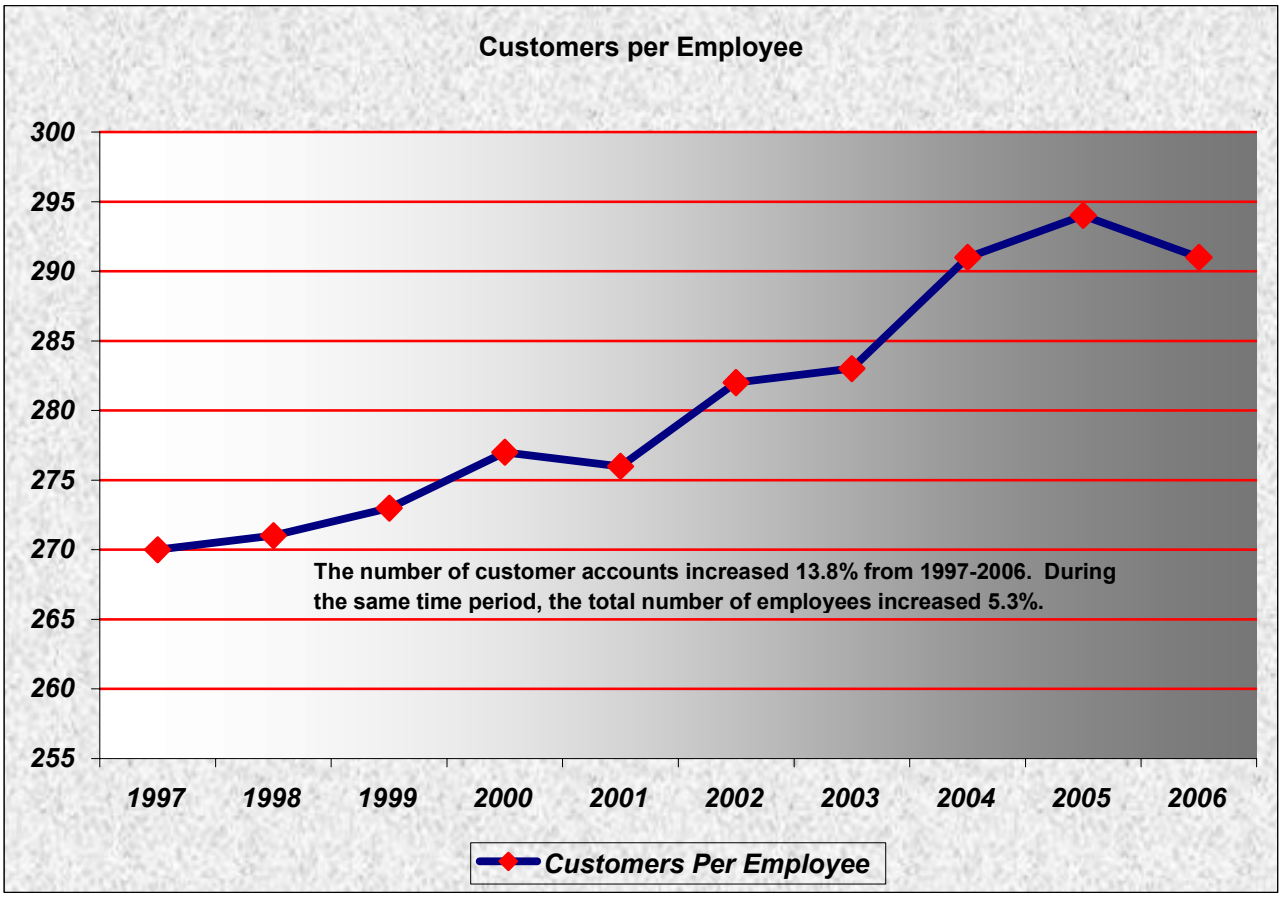


Capital Total $97,532



Total Program Budget Expenditures $261,700





Years	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Employees[(1)]	990	1,002	1,003	1,006	1,026	1,036	1,042	1,028	1,025	1,043
Customers	267,000	271,000	274,000	279,000	283,000	292,000	295,000	299,000	301,000	304,000
Cust Per Empl	270	271	273	277	276	282	283	291	294	291

[(1)] The number of employees shown are actual regular employees as of the end of each year from 1997-2005. The 2006 estimate reduces the 1,080 approved employees by an assumed vacancy rate of 3.5%.

Denver Water - A Condensed History

For decades of the nineteenth century, private water companies struggled to bring drinking water to the City of Denver. Finally, in 1918, Denver residents voted for City Charter amendments that created the Denver Board of Water Commissioners. Voters also approved the purchase of the Denver Union Water Company, transforming it into the public agency that today provides water for a quarter-million customer accounts. The historic mission of that agency was providing healthy drinking water at a fair price, and so it is today.

Denver Union was the survivor among a dozen private companies attempting to supply water to the growing community at the foot of the Rockies. They ranged from the Capitol Hydraulic Company of 1860 - incorporated to dig a ditch from the South Platte River to the Capitol Hill area - to Colonel James Archer's powerful Denver City Water Company and its locally-owned rival, Citizens' Water Company, headed by Walter Cheesman and David Moffat.

The Kansas Territorial government incorporated the Capital Hydraulic Company in 1860 with substantial water rights to both the South Platte and Cherry Creek, and the company built City Ditch, still in service to city parks and other customers. It quickly became clear that this was not the way to provide adequate water for the growing population, and Col. James Archer organized the City Water Company to build a water plant -- pumps, pipes, and filtration that would distribute 2.5 million gallons a day (MGD), nearly ten times what the population needed. In only two years, that excess capacity was used up, and another 2 MGD were added. By 1882, the capacity was up to 14.5 MGD, powered by big new pumps housed in what is now the Three Stone Buildings north of Denver Water's administration building, and there was no sign that the city's growth would slow.

The same men who put their personal fortunes on the table to ensure that Denver would have a link to the transcontinental railroad -- among them Walter Cheesman and David Moffat -- understood that water was crucial to creating a city on the semi-arid plains. They were local partners in Archer's water company, but unable to persuade the money men in the East that Denver's future was more important than profits. Thwarted in their attempts to promote water filtration systems and permanent storage on the South Platte, they set up a rival water company and began a battle for Denver citizen's loyalty that ended in 1894 with Archer's company -- which had been through a number of transformations, sales, and names -- bankrupt.

The locally owned Citizens Water bought Archer's assets along with the other smaller water companies and its principals created the Denver Union Water Company, which would become Denver Water in 1918. During about two decades of private ownership, Denver Union built such historic landmarks as Cheesman Dam, Marston Reservoir, and the Kassler and Marston Treatment Plants. By the time the City was ready to buy, Denver Union had documented assets with an estimated value of $13 million. Provisions of the 1918 charter amendments require that water works funds be totally separate from the general City government. Conversely, the Water Board has no access to City general funds. This was intended to assure that the Water Board concentrate exclusively on its sole task: supplying water to the inhabitants of Denver "for all uses and purposes" and at rates "as low as good service will permit." The Charter also directs that the water system must pay its own way, including "betterments" to the system, through charges for water service. Denver Water is not a for-profit enterprise. According to early newspaper accounts, Denver's citizens, with firsthand knowledge of "the Great American Desert," wanted a fail-safe water supply.

Only a few years after taking over the well-developed Denver Union system, the new five-member Water Board was faced with its first impending water shortage. Between 1900 and 1920 alone, Denver

population had doubled. By 1920, the City had grown from 5,000 to 270,000 in about fifty years. More water was needed. In 1924, Antero Reservoir, high in the South Park hay meadows near the headwaters of the South Platte River, was acquired to augment supply. In the late 1920s, the Water Board committed to build Eleven Mile Canyon Reservoir on the edge of South Park to assure supply. It was a contentious period. The local papers hired their own hydrologists to "prove" that additional storage was not needed and accusations flew in the streets. Then the Dust Bowl rolled into town, and Cheesman Reservoir dropped to 5% of capacity. The Board used the pilot bore of the Moffat Railroad Tunnel to send transmountain water gathered from the Fraser River to the drought-plagued city.

The end of World War II brought yet another population boom to the Denver area, and the Water Board again was faced with a shortage of water to meet the needs of growth. Work had been started on the Roberts Tunnel to bring water through the Continental Divide to the city from the Blue and Snake Rivers and Tenmile Creek. A continuing debate over the size of the dam to build at Dillon to divert water into the tunnel was resolved in favor of a "high dam," and Denver's largest single storage facility and one of the state's premier recreational attractions, Dillon Reservoir, was born in 1963.

In 1991, the federal government vetoed the Two Forks reservoir project. This decision changed the water culture of the region. Denver Water could no longer assume it would provide water to an always-growing metro area by adding major surface water storage projects. With the veto of Two Forks, Denver Water would serve a defined and confined service area boundary, and those water suppliers in the Denver area but outside that boundary would have to provide for their growth themselves. Denver Water would assist in cooperative efforts, but its first priority would be its obligation to its service area. The veto of Two Forks, a project that had been on various drawing boards since the 1920s, shifted the focus to alternative supplies – conservation, recycling, conjunctive use, aquifer recharge, small-scale system refinements, agricultural water – as ways to meet future water supply needs. Many new realities fueled a movement toward other solutions: the economic, environmental and political cost of large-scale surface storage projects, burdensome regulatory processes, inter-regional rivalries triggered by such projects, and the simple reality that water is a finite resource

Modern treatment plants process water before sending it to customers' taps through a network of more than 2,500 miles of mains under city and suburban streets. Since the installation of chemical water treatment at South Marston in 1911, Denver's water provider has been a leader in advanced treatment methods. The Foothills Plant, completed in 1983, is a state-of-the-art facility capable of producing more than 280 million gallons of treated water daily to meet customer demands on hot summer days. Foothills was built at an elevation that eliminates the costly need to pump water into the system. The Marston and the Moffat plants were recently modified to handle chlorine more efficiently. The three plants are continuously renovated to assure high water quality. Denver Water meets or exceeds national drinking water quality standards each year.

Generating clean hydroelectric power has become increasingly important to Denver Water. In the mid-1980s, hydro generators were added at Foothills, Strontia Springs, Dillon, and the Roberts Tunnel to augment power generated at the department's dam on Williams Fork. Another generator was added in the mid-1990s at the Hillcrest Pump Station. Construction of a hydro plant at Gross Dam began in 2005
.
The first phase of Denver Water's recycling program was completed in the spring of 2004, delivering non-potable treated water for industrial users and irrigators. The recycling system has its own pipelines, storage tanks and pump stations. In 2006, the historic Capitol Hill Reservoir will be replaced by a modern tank for recycled water. At full capacity in 2013, the system will supply over 17,000 acre-

feet of recycled water a year, freeing raw water for potable uses and delaying the need to divert more water from the Western Slope and construct new water supply facilities.

Drought has held the area in its grasp for nearly five years, hitting Denver hardest in 2002. In March of 2003, a spring snowstorm dumped nearly two feet of snow on Denver and the Front Range, pushed snowpack to near-normal levels, and drove reservoir levels to nearly 90 percent of capacity. Water restrictions continued through the summer of 2003, nonetheless, but they were eased in 2004. As 2005 drew to a close the drought's impact on Denver Water's supplies seemed to be over for the time being, although other parts of the state and region continued to suffer drought conditions.

During the drought, Denver Water called for low-water landscaping practices, encouraged Xeriscaping in urban landscape design, and offered financial incentives to commercial customers who made plant and process changes to reduce water consumption and rebates to residential customers installing water-efficient appliances. Conservation remains a goal for Denver Water and all water users in Denver.

The lessons learned through several years of drought will continue to drive Denver Water planning and decision making for the foreseeable future. Snowpack in the mountain watershed areas that feed the Denver Water system will be monitored closely in the 2005/2006 winter to determine whether conditions have eased for the upcoming year.

Denver Water now serves over 1 million people, more than a quarter of the state's population. It uses less than 2 percent of the average annual flow of Colorado's rivers and streams to do it. Denver Water maintains a reputation as one of the nation's finest systems due to the solid foundation provided by the framers of Denver's City Charter amendments.

The Denver Water Service Area, Population, & Demand

Denver Water's Combined Service Area, shown below, totals approximately 338 square miles. The Combined Service Area is composed of the City and County of Denver and 69 treated water distributor contracts (see Table 1). In addition, Denver Water serves several special contracts with fixed contract amounts and two major raw water contracts.

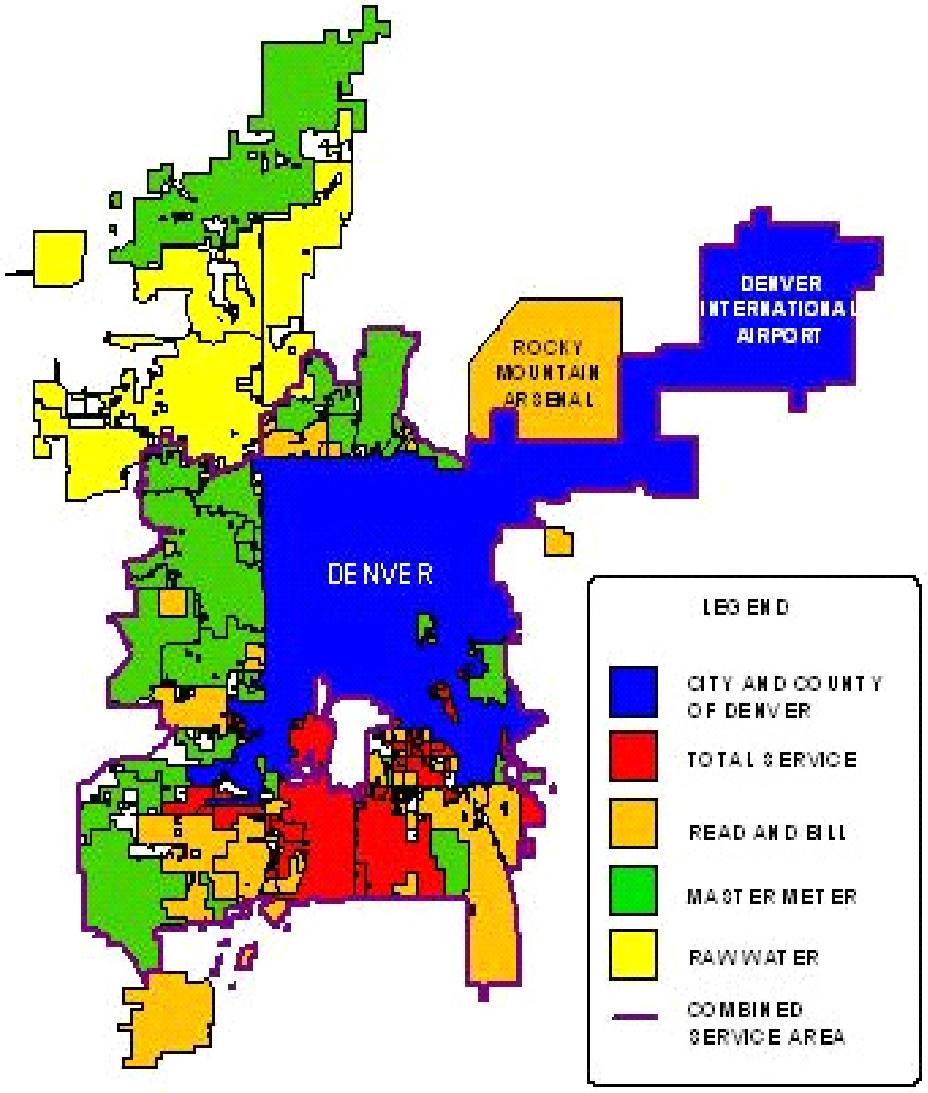


Table 1
Denver Water Service Area
Square Miles

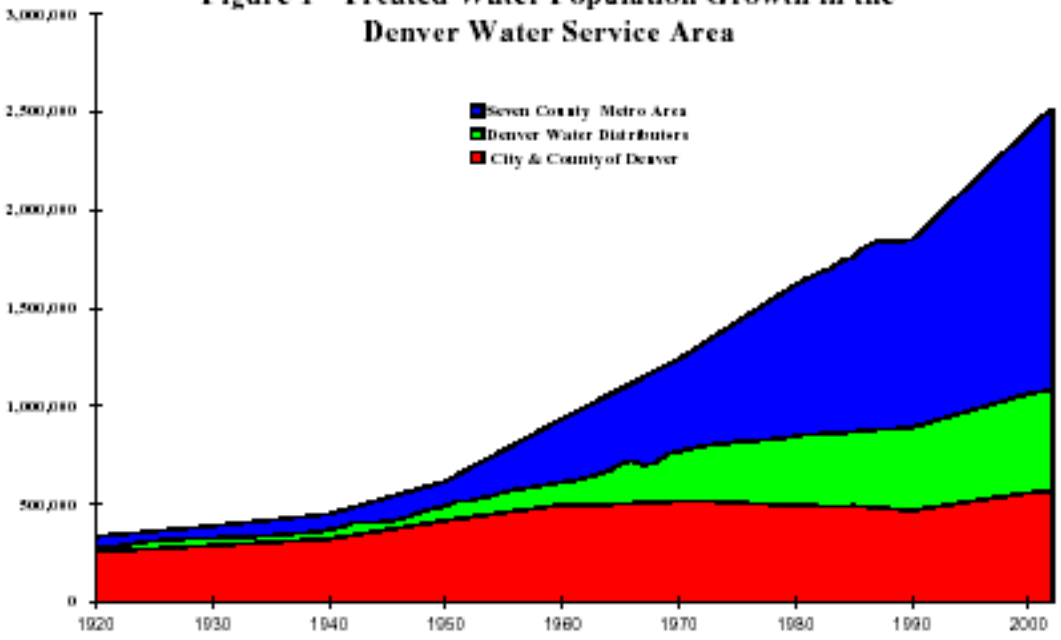
The table below shows the total square miles served both inside and outside the City and County of Denver. The total square miles in the Inside the City service area have not changed materially since 1988 when the City and County of Denver annexed 43.3 square miles for the Denver International Airport. The old Stapleton Airport, within Denver, is being redeveloped with housing, office, and retail facilities. Although the development does not add square miles to the Denver Water service area, it will increase the number of customers we serve over the next 20 years.

Outside the city, Denver Water executes three main types of distributor contracts: Total Service, Read and Bill, and Master Meter. In Total Service districts, Denver Water operates and maintains the district's facilities, including customer billing, at a level equivalent to the service provided within the Denver City Limits. In Read and Bill districts, Denver Water reads the meters and bills the customers, but does not operate the distribution system. Master Meter districts are those in which Denver Water sells the water wholesale directly to the district. Denver Water also maintains several contracts that receive a fixed amount of water and are not included in the figures below.

Denver	
City and County	**154.6**
Outside Denver	
Total Service Distributors	**40.7**
Read and Bill Distributors	**49.7**
Master Meter Distributors	**90.3**
Subtotal	**180.7**
TOTAL	**335.3**

Source: 2004 Denver Water Directory of Distributors, Section 4. Figures exclude fixed special contracts and approximately 2.9 square miles presently not under contract.

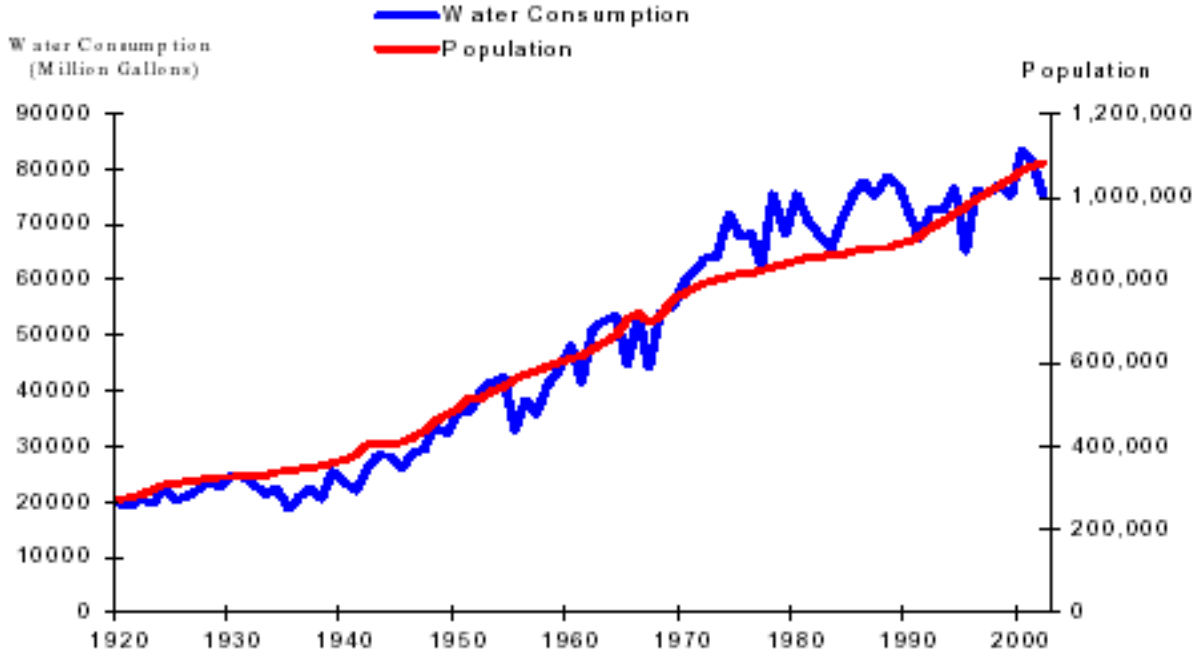
Figure 1 - Treated Water Population Growth in the Denver Water Service Area



Our Customers

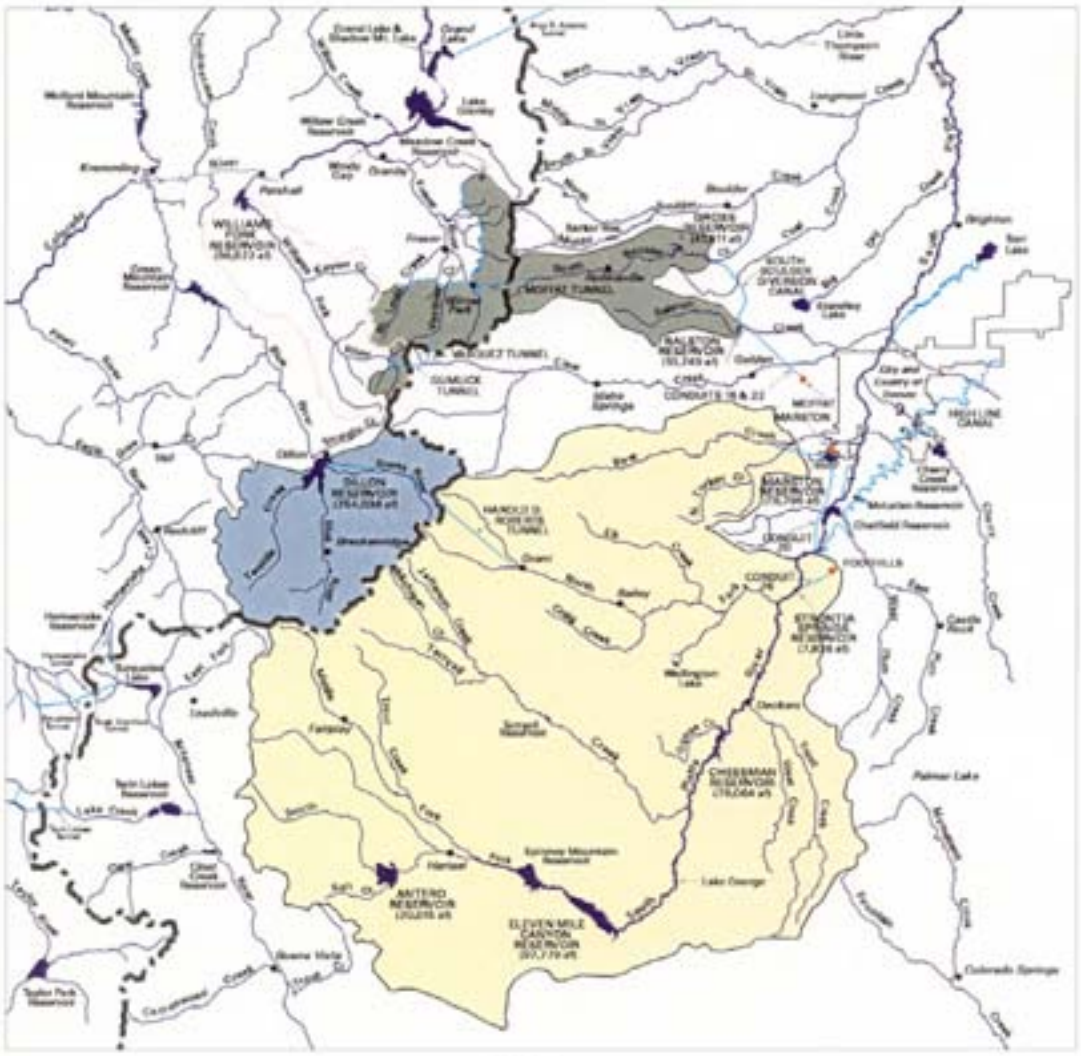
Denver water supplies water to about half of the population in the Denver Metropolitan Area, about 1.18 million people (see Figure 1). Since 1950, the treated water population served by Denver Water has doubled. The demand for treated water has increased from the 1950 level of 37 billion gallons to the current level of 75.2 billion gallons (see Figure 2). Currently, there are about 1,104,000 people receiving treated water and approximately 100,000 receiving raw water from Denver Water.

Figure 2 - Treated Water Population & Demand



City and County of Denver
Board of Water Commissioners

Water Collection System



LEGEND

- South Platte Collection System
- Roberts Tunnel Collection System
- Moffat Collection System
- Williams Fork Reservoir Watershed
- Denver Water Treatment Plant
- Continental Divide
- Major Stream or River
- Major Canal or Tunnel
- Major Lake or Reservoir
- Town

Scale 1:1,000,000

STATISTICAL SUMMARY: 1999 - 2004

	Note	2004	2003	2002	2001	2000	1999
Financial Information:	(1)						
Operating Information:							
Population Served (July 1)	(3)	1,104,000.00	1,081,000.00	1,076,000.00	1,052,000.00	1,036,000.00	1,012,000.00
Total Treated Water Consumption in Million Gallons		60,578.77	65,399.47	75,221.18	81,054.72	83,585.25	75,232.01
Average Daily Consumption in Million Gallons		165.52	179.18	206.09	222.07	228.38	206.12
Average Daily Consumption per Capita in Gallons		150.00	166.00	192.00	211.00	220.00	204.00
Maximum Daily Consumption in Million Gallons		340.92	370.05	419.20	488.71	478.19	475.66
Maximum Hour Treated Water Use Rate (MGD)	(4)	567.52	775.23	788.09	716.86	751.47	676.26
Treated Water Pumped in Million Gallons		39,105.07	46,030.79	51,205.33	54,161.28	47,953.92	38,149.92
Raw Water Storage Capacity in Acre-Feet		561,883.00	561,883.00	561,883.00	561,883.00	545,476.00	545,476.00
Replacement Reservoir Storage Capacity in Acre-Feet		122,432.00	122,432.00	122,432.00	122,432.00	96,822.00	96,822.00
Supply from South Platte River in Acre-Feet		119,978.00	144,982.00	58,856.00	129,926.00	133,912.00	210,777.00
Supply from Blue River/Roberts Tunnel Sys in Acre-Feet		75,984.00	164,294.00	56,848.00	102,282.00	102,750.00	54,064.00
Supply from Moffat System in Acre-Feet		59,344.00	84,072.00	33,116.00	71,296.00	59,811.00	57,272.00
Treated Water Pumping Capacity in MGD	(4)	1,077.10	1,077.10	1,070.60	1,052.50	1,052.50	1,052.50
Raw Water Pumping Capacity in MGD	(4)	92.20	92.20	92.20	92.20	92.20	92.20
Treatment Plant Capacity in MGD	(4)	715.00	715.00	645.00	645.00	645.00	645.00
Treated Water Reservoir Capacity in Million Gallons		376.65	376.65	406.45	378.45	378.75	378.75
Supply Mains in Miles (Mountain Collection System)		77.60	77.60	77.60	77.60	77.60	77.60
Supply Mains in Miles (Metropolitan Denver Area)		40.70	40.70	40.70	40.70	40.70	40.70
T & D Mains in Miles (inside Denver & Total Service Contract Distributors)		2,608.00	2,574.00	2,552.00	2,508.00	2,474.00	2,449.00
Nonpotable Transmission & Distribution Mains in Miles		31.30	23.50	17.60	17.30	17.30	16.40
Total Active Taps - End of Year	(3)	301,565.00	299,157.00	295,841.00	286,051.00	282,985.00	278,374.00
Fire Hydrants Operated & Maintained		14,956.00	14,648.00	14,380.00	14,173.00	13,991.00	13,681.00
Breaks in Mains - Denver		219.00	231.00	287.00	261.00	243.00	195.00
Service Leaks		1,204.00	1,117.00	1,034.00	794.00	907.00	663.00
Fire Hydrants Tested and Repaired		32,045.00	32,407.00	26,047.00	29,604.00	23,875.00	25,052.00

Footnotes:

(1) Amounts expressed in thousands.

(2) Current and long-term portions of bonds payable, certificates of participation, and obligations under capital lease, net of discounts, preiums and deferred losses on advance refundings.

(3) MGD = Million Gallons per Day.

(4) Supply includes effluent exchanges.

CUSTOMER SERVICE DATA: 1999 - 2004

	2004	2003	2002	2001	2000	1999
Active Taps:[1]						
Beginning of Year	299,157	295,841	286,051	282,985	278,374	274,938
Activated During Year	2,736	3,510	10,053 [6]	3,273	4,871	3,732
Discontinued During Year	(328)	(194)	(263)	(207)	(260)	(296)
Net Increase During Year	2,408	3,316	9,790	3,066	4,611	3,436
Total Active Taps - End of Year	301,565	299,157	295,841	286,051	282,985	278,374
Active Taps[1]						
Inside City	154,170	152,783	150,607	149,054	147,590	145,585
City and County	1,084	1,076	1,065	1,071	1,058	1,055
Read and Bill	35,043	34,694	34,425	36,955	36,760	36,114
Total Service	35,639	35,502	35,209	31,974	31,442	30,965
Master Meter	75,629	75,102	74,535	66,997	66,135	64,655
Total Active Taps - End of Year	301,565	299,157	295,841	286,051	282,985	278,374
Stub-Ins on System[2]	2,887	3,023	2,553	2,992	2,389	3,086
Fire Hydrant Use Permits	472	473	830	456	680	1,132
AMR (Automatic Meter Reading) Installations	54,085	71,737	56,499	30,359	298	-
Turn-Offs Due to Delinquent Accounts	14,684	12,776	11,586	10,293	9,045	7,920
In-Home Water Audits	89	12	60	98	1,155	1,092
Call Center Calls[3]	253,716	302,488	281,339	193,395	173,016	169,399
Water Quality Calls						
Taste and Odor	66	90	125	78	220	148
Clarity	221	166	15	75	75	189
Hardness	1		1	-	1	69
Other	22	14	135	80	9	485
New Taps Made	3,537	4,178	3,572	3,869	3,834	4,498

[1]Service is on or has not been off for 5 consecutive years. Does not include taps sold to raw water distributors.

[2]Stub-Ins are a connection made solely to extend the service line from the main to the valve at the property line prior to the paving of the street and are not considered a tap.

[3]Call Center Calls include calls offered, plus calls handled through the Interactive Voice Respone (IVR).

Demographic & Economic Overview of the Denver Metropolitan Area*

The following is selected information concerning the economic and demographic conditions in the City and County of Denver ("Denver" or the "City") and the immediate vicinity. Prior to 2004, Denver was the population center for a statistical area defined by the federal Office of Management and Budget ("OMB") as the Denver Metropolitan Statistical Area (the "Denver MSA") and comprising the counties of Adams, Arapahoe, Broomfield (formerly the City of Broomfield), Denver, Douglas and Jefferson. In June 2003, the OMB updated its statistical area definitions based on new standards and the results of the 2000 Census. The general concept of a metropolitan statistical area is that of a core area containing a substantial population nucleus, together with adjacent communities having a high degree of social and economic integration with that core. Metropolitan statistical areas comprise one or more entire counties. Following this definitional change, the City is now within the newly-created Denver-Aurora Metropolitan Statistical Area (the "Denver-Aurora MSA"), comprising the former Denver MSA and the counties of Clear Creek, Elbert, Gilpin and Park. The following provides information for the area comprising the Denver-Aurora MSA unless otherwise stated.

Population

The following table sets forth population statistics for the City, the Denver-Aurora MSA and the State of Colorado (the "State"). Population estimates for 2004 are not yet available.

Population Estimates

Year	Denver	Denver - Aurora MSA	State of Colorado
1960	493,887	868,943	1,753,947
1970	514,678	1,118,563	2,209,596
1980	492,694	1,450,768	2,889,735
1990	467,610	1,666,883	3,294,473
2000	555,782	2,179,319	4,301,997
2001	560,365	2,247,319	4,446,529
2002	560,882	2,288,616	4,521,484
2003	566,173	2,323,494	4,586,455
2004	n/a	n/a	n/a

Income

The following tables set forth median household effective buying income ("EBI") for Denver, the Denver-Aurora MSA, the State and the United States for the past five years. EBI is defined as money income less personal tax and non-tax payments, resulting in a figure often referred to as "disposable" or "after-tax" income. EBI for 2002 through 2004 is computed as a derivative of household income, with the correspondence between before-tax and after-tax income based on a three-year combination of Current Population Survey data. Income and all income-related fields for 2000 and 2001 are benchmarked to the 1990 Census.

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*Source: This section is an excerpt from the Denver Water Official Statement dated June 22, 2005 prepared in conjunction with the sale of revenue bonds, series 2005.

Median Household Effective Buying Income

As of January 1	Denver	Denver-Aurora MSA	State of Colorado	United States
2000	$30,572	$41,581	$37,335	$37,234
2001	32,877	44,312	39,742	39,130
2002	42,540	49,109	44,050	38,365
2003	37,261	46,878	43,510	38,035
2004	37,383	47,275	43,544	38,201

Source: Trade Dimensions International, Inc., *Demographics USA© - County Edition, 2000-2004*

The following table sets forth recent annual per capita personal income levels of the City, the Denver-Aurora MSA, the State and the United States.

Per Capita Personal Income in Current Dollars[1]

Year	Denver	Denver-Aurora MSA	State of Colorado	United States
1998	$33,005	$32,221	$28,784	$26,883
1999	35,068	34,230	30,492	27,939
2000	39,153	37,852	33,370	29,845
2001	40,343	38,651	34,491	30,575
2002	40,448	38,008	34,228	30,804
2003	Not available		34,561	31,472
2004	Not available		36,063	32,937

[1]The Denver and Denver-Aurora MSA figures are as of May 2004, and the Colorado and United States figures are as of March 2005.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Employment

The following tables set forth the number of individuals employed within selected industries covered by unemployment insurance in the Denver MSA for the period 1996 through 2003. Annual data for 2004 is not yet available.

Beginning in 2001, such data has been published only under the North American Industrial Classification System ("NAICS") codes and is not directly comparable to prior year data, which was classified by the Standard Industrial Classification System ("SIC") codes.

Average Number of Employees within Selected Industries in the Denver MSA Subject to State Unemployment Laws - SIC Classifications

Industry	1996	1997	1998	1999	2000
Agriculture, Forestry and Fisheries	8,585	9,302	10,206	11,273	12,215
Mining	6,840	6,895	6,756	5,949	5,749
Construction	57,402	61,474	68,691	77,980	87,748
Manufacturing	89,631	92,675	93,005	90,413	90,485
Transportation, Communication and Public Utilities	81,492	82,947	89,288	97,023	99,095
Wholesale Trade	66,929	69,762	70,441	71,243	74,137
Retail Trade	181,408	186,866	190,165	198,268	204,633
Finance, Insurance and Real Estate	75,426	80,760	86,356	88,604	89,442
Services	289,520	308,276	322,162	335,349	351,896
Government	138,884	141,574	144,346	146,703	149,953
Nonclassifiable	62	58	47	25	21
Total	**996,179**	**1,040,589**	**1,081,463**	**1,122,830**	**1,165,374**

Source: Colorado Department of Labor and Employment

Average Number of Employees within Selected Industries in the Denver MSA Subject to State Unemployment Laws - NAICS Classifications

Industry	2001	2002	2003
Agriculture, Forestry, Fishing, Hunting	2,151	2,024	1,855
Mining	5,261	5,127	4,977
Utilities	3,752	3,758	3,588
Construction	90,603	86,775	79,659
Manufacturing	78,108	74,956	70,821
Wholesale Trade	68,124	65,068	62,673
Retail Trade	120,285	122,675	120,298
Transportation and Warehousing	46,787	44,090	43,112
Information	67,300	60,094	54,470
Finance and Insurance	69,011	68,357	69,124
Real Estate, Rental and Leasing	26,037	25,830	26,095
Professional and Technical Services	89,819	86,505	83,527
Management of Companies and Enterprises	12,998	14,889	16,167
Administrative and Waste Services	85,584	79,912	77,318
Educational Services	13,540	13,976	14,320
Health Care and Social Assistance	91,730	94,987	97,297
Arts, Entertainment and Recreation	14,672	15,014	15,006
Accommodation and Food Services	92,467	94,076	93,785
Other Services	35,558	36,027	35,276
Nonclassifiable	27	23	23
Government	153,826	160,443	160,755
Total	**1,167,640**	**1,154,606**	**1,130,147**

Source: Colorado Department of Labor and Employment

The following table sets forth recent total labor force and unemployment statistics for the Denver-Aurora MSA and the State.

Civilian Labor Force Averages
(Labor force expressed in thousands and not seasonally adjusted)[1]

	Denver				Denver-Aurora MSA				State of Colorado		
Year	Labor Force	Percent Change	Percent Unemployed		Labor Force	Percent Change	Percent Unemployed		Labor Force	Percent Change	Percent Unemployed
2000	298.8	--	2.8%		1,235.9	--	2.2%		2,359.3	--	2.6%
2001	290.4	(2.8)%	4.7		1,247.8	1.0%	3.7		2,394.9	1.5%	3.9
2002	294.2	1.3	7.2		1,263.5	1.3	6.0		2,443.3	2.0	5.9
2003	303.1	3.0	7.6		1,287.8	1.9	6.4		2,479.8	1.5	6.2
2004	308.9	1.9	6.7		1,313.2	2.0	5.6		2,522.2	1.7	5.5

[1]Data as of April 8, 2005.

Source: U. S. Department of Labor, Bureau of Labor Statistics

Set forth in the following table are major private sector (non-tax supported) employers in the Denver metropolitan area. No independent investigation has been made of and no representation is made herein as to the financial condition of the employers listed below or the likelihood that such employers will maintain their status as major employers in the area. It is possible that there are other large employers in the area that are not included in the table.

20 Largest Private Sector Employers in the Denver Metropolitan Area
(August 2004)

Company	Business	Employment
Qwest Communications International	Telecommunications	13,200
HCA-HealthONE, LLC	Health care services	8,600
King Soopers Inc.	Grocery retail	7,800
Lockheed Martin	Aerospace	7,700
United Airlines	Airline	6,600
Centura Health	Health care	6,100
IBM	Data processing	5,800
Wal-Mart Stores, Inc.	General merchandise retail	5,600
Exempla Healthcare	Health care	5,300
Kaiser Permanente	Health care	4,100
EchoStar Communications Corp.	Satellite television	4,000
Coors Brewing Co.	Beverage manufacturer	3,300
Safeway, Inc.	Grocery retail	3,200
University of Denver	Education	3,000
United Parcel Service	Transportation services	2,900
University of Colorado Hospital	Health care services	2,900
Sun Microsystems	Network computer services	2,800
Target Corporation	General merchandise retail	2,700
Storage Technology Corp.	Computer software devices	2,600
First Data Corporation	Payment systems	2,600

Source: Metro Denver Economic Development Corporation; compiled from various business lists by Development Research Partners

Construction

Set forth in the following tables are recent building permit statistics for new structures in the City and the Denver MSA.

Building Permit Activity in Denver - New Structures

	Residential[1]		Other	
Year	Permits[2]	Value (000's)	Permits	Value (000's)
2000	3,907	$332,601	1,146	$183,287
2001	1,474	364,732	926	166,556
2002	2,049	380,986	1,374	175,390
2003	1,846	358,601	1,371	111,833
2004	2,131	475,496	1,283	129,804

[1] Includes single family and two family dwellings, apartment buildings, hotels and motels.

[2] Number of permits issued, which is not equivalent to the number of units.

Source: City of Denver Building Department

Building Permit Activity in the Denver MSA

	Residential		Commercial		Industrial		Public/Nonprofit	
Year	Permits	Value (000's)	Permits	Value (000's)	Permits	Value (000's)	Permits	Value (000's)
1999	18,529	$2,679,714	1,234	$ 916,644	68	$ 51,141	30	$ 29,297
2000	16,669	2,717,011	1,032	840,024	55	27,750	42	102,742
2001	15,619	2,678,762	898	1,058,256	140	85,555	44	91,811
2002	15,451	2,701,325	886	562,694	176	144,133	111	90,987
2003	15,255	2,252,047	534	415,136	108	70,756	48	53,021
2004	Not Available							

Source: Metro Denver Economic Development Corporation

New Residential Units in Denver and the Denver MSA

	Denver					Denver MSA			
Year	Single Family	Two Family	Multi-Family	Total Units		Single Family	Two Family	Multi-Family	Total Units
1999	2,171	49	250	2,470		18,080	157	4,563	22,800
2000	1,544	255	1,053	2,852		14,074	2,691	8,996	25,761
2001	1,106	1,148	1,810	4,064		12,896	4,066	8,405	25,367
2002	1,475	1,244	1,336	4,055		12,549	4,022	4,085	20,656
2003	1,482	1,035	987	3,504		11,369	3,149	1,832	16,350
2004	1,419	1,087	1,174	3,680		12,736	4,315	2,319	19,370

Source: Home Builders Association of Metropolitan Denver

Foreclosure Activity

The following table sets forth recent foreclosures filed in the Denver-Aurora MSA.

Foreclosures Filed in the Denver-Aurora MSA

County	2000	2001	2002	2003	2004
Adams	727	799	1,313	1,899	2,499
Arapahoe	799	1,000	1,575	2,250	3,125
Broomfield[1]	--	3	73	110	132
Clear Creek	32	41	44	59	59
Denver	924	1,120	1,742	2,500	3,359
Douglas	212	270	415	652	800
Elbert	79	72	124	151	126
Gilpin	15	32	31	35	52
Jefferson	656	731	1,130	1,532	1,880
Park	64	92	147	139	155
Totals	**3,508**	**4,160**	**6,594**	**9,327**	**12,187**
Annual change	**--**	**18.6%**	**58.5%**	**41.4%**	**30.7%**

[1] The City of Broomfield became the City and County of Broomfield effective in the fall of 2001. The former City of Broomfield encompassed portions of the counties of Adams, Boulder, Jefferson and Weld.

Source: County Public Trustees' Offices

Section 2 - Receipts

Receipts Summary

Total 2006 receipts are comprised of operating receipts from the sale of water to customers, participation receipts (payments for capacity in specific facilities to serve specific groups of customers), system development charge receipts (tap fees), receipts from bond proceeds, as well as small amounts of non-operating and other receipts. Total 2006 receipts are forecast to be $252.6 million.

Operating Receipts (Sale of water to customers)

Operating receipts are generated from sales of water to customers. They are used to pay for normal operation and maintenance, replacement of facilities, and plant additions as well as debt service. The 2006 budget of $164.3 million reflects a revenue increase of 8.0% effective January 1, 2006. Actual 2005 operating receipts of $157.9 million were $11.6 million less than budgeted. The shortfall was primarily due to reduced customer demand in response to the recent drought.

While approximately 58% of the 2006 billed water sales revenue is projected to be from outside the City of Denver, only 48% of customers are located outside the City. Water provided to outside City customers is billed at a higher rate than water provided to inside City customers.

Denver Water does not depend on any one customer or any group of customers for a major portion of its revenue. The 25 largest customers (excluding the City and County of Denver) accounted for less than 5% of treated water revenue received in 2005.

A breakdown of billed operating revenue by type of customer is shown on page 41. Billed operating revenues and number of customers inside and outside the City of Denver are shown graphically on page 42. See pages 43 – 49 for additional water rate information.

Drought Surcharge

The drought surcharge was a temporary charge adopted to encourage conservation of water through price and to act as an enforcement mechanism for other drought restrictions. By the Board's direction, the proceeds were to be used to help offset drought and fire related costs. On October 27, 2004 the Board approved rebating a portion of the surcharges to Denver Water's customers. The rebates were budgeted for in 2005 as a cash refund. Instead, credits were issued to customer bills and the net effect was to lower operating receipts.

Non-Operating Receipts

These receipts are obtained from payments for services that Denver Water renders such as ditch assessments for delivery of non-potable water for irrigation, main inspections, installation of taps, the calculating and mailing of sewer bills, rents on Denver Water facilities and other such services. Based on historical trends, total non-operating receipts for 2006 are projected to be $2.8 million. A breakdown by type of receipt is shown on page 41. Actual 2005 receipts of $2.8 million were $180,000 less than budgeted due to lower than budgeted income from ditches and properties.

Hydropower Receipts

Hydropower receipts are generated from the sale of power provided by generating facilities at the Dillon, Strontia Springs and Williams Fork dams, Roberts Tunnel, Foothills Treatment Plant and Conduit 27 at Hillcrest. Hydropower receipts for 2006 are anticipated to be $1.8 million.

System Development Charges (SDC)

SDCs are tap fees for new connections to the Denver Water system that represent the value of the capacity used by the new customer. System development charge receipts are projected to total $25.6 million for 2006, based on anticipated building trends. See pages 46 - 47 for additional information. Actual 2005 receipts of $26.3 million were $3.7 million more than budgeted due to higher than expected home and commercial construction.

Tap Surcharge

The tap surcharge was a temporary fee imposed during 2002, 2003 and 2004 as a result of the water supply shortage. The tap surcharge was 20% of the System Development Charge. The proceeds were used for rebate programs related to conservation and water use efficiency programs such as rebates for low volume toilets, clothes washers and xeriscape landscaping materials.

Participation Receipts

Participation receipts for 2006 are projected to be $5.0 million. The largest item in the 2006 budget is $1.9 million from Valley Water and Sanitation District for work on Conduits 158 and 159. See page 46 for additional information.

Actual 2005 receipts of $1.8 million were $743,000 lower than budgeted due to delaying the conduit 158 and 159 project until 2006.

Reimbursements and Grants

Reimbursements of $2.7 million are anticipated for 2006. This includes $1.7 million from the South Adams County for gravel pit storage below Metro Wastewater and $500,000 from the City of Arvada for the Moffat Collection System project. Total 2005 reimbursements of $762,000 were $312,000 more than budgeted The overrun was largely a result of unbudgeted reimbursements from Adams County for the sale of the Herkholz gravel pit property.

Interest on Investments

Denver Water has two investment portfolios. The first, the liquidity portfolio, is used to meet daily and annual needs for cash. The liquidity portfolio is invested in short-term, low-risk money market instruments. The other portfolio, the long-term investment portfolio, consists of funds that are not expected to be needed for several years, such as reserves against catastrophic losses, and future capital programs. The long-term investment portfolio may contain investment grade corporate bonds, as well as government securities. Both portfolios are accounted for on a fair market value basis. The combined interest paid to Denver Water on both investment portfolios in 2006 is budgeted at $5.5 million. Actual 2005 interest receipts of $5.6 million were $1.4 million above budget largely due to a series of Federal Reserve tighting moves during the year.

Other

These receipts consist of reimbursements for the relocation of mains and fire hydrants, proceeds from the sale of surplus assets, employee payments for health and dental insurance and minor items not included elsewhere. Other receipts are projected to be $4.8 million in 2006. Included in this total is $1.7 million for employee payments for health and dental insurance. Actual 2005 receipts of $4.0 million were are $2.2 million under budget due to a delay in the sale of the Hugh M. Woods property.

Debt Proceeds

Denver Water has budgeted cash receipts of $40.0 million from the sale of revenue bonds in 2006. In 2005, Denver Water took advantage of favorable market conditions and issued $30.0 million in debt, $5.0 million more than budgeted. Bond proceeds for 2005 were $30.5 million after a net re-offering premium and less the underwriting discount.

Comparison of Receipts
2003 - 2006
(Thousands of Dollars)

Receipts:	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Operating	$ 131,038	$ 130,838	$ 169,492	$ 157,902	$ 164,333
Drought Surcharge/Rebate	8,001	12,425	(2,657)	68	0
Non-Operating	3,154	2,598	2,974	2,794	2,846
Hydropower	1,402	1,188	1,816	2,942	1,827
System Development Charges	19,649	24,917	22,586	26,280	25,654
Tap Surcharge	1,641	1,195	0	0	0
Participation	2,835	2,241	2,593	1,850	4,978
Reimbursements & Grants	3,420	3,646	450	762	2,705
Interest on Investments	4,879	3,164	4,234	3,577	5,490
Other	4,248	10,810	6,178	3,974	4,813
Subtotal Receipts	$ 180,267	$ 193,022	$ 207,666	$ 200,149	$ 212,646
Debt Proceeds	132,438	14,300	25,000	30,500	40,000
Total Receipts	$ 312,705	$ 207,322	$ 232,666	$ 230,649	$ 252,646

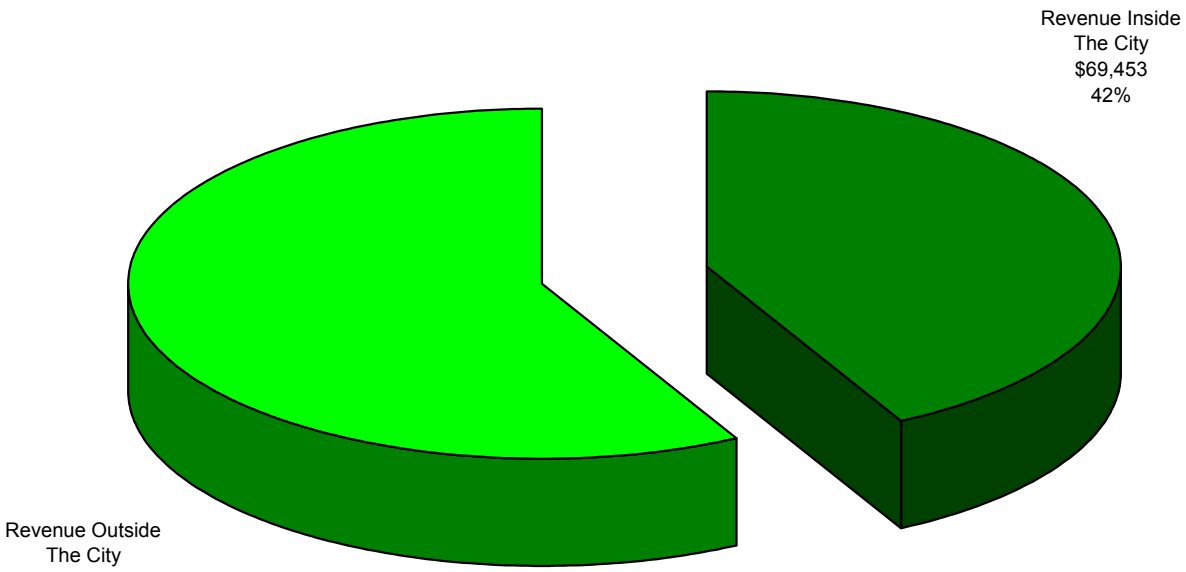
Comparison of Operating and Non-Operating Receipts
2003 - 2006
(Thousands of Dollars)

	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Operating Receipts (Water Sales)					
Billed Operating Revenue:					
Metered General	$ 83,753	$ 85,423	$ 112,664	$ 108,294	$ 106,819
Private Fire Protection	731	757	662	796	766
Public Authority	4,486	4,518	5,753	6,168	6,506
Sales for Resale-Treated	30,985	30,981	39,129	37,825	39,194
Other Sales of Water-Raw	1,077	312	484	347	445
Sales for Resale-Raw	5,096	2,891	6,421	3,924	6,309
Drought Penalties	100	0	0	0	0
Other Operating Revenue	3,656	3,231	2,250	4,386	2,250
Recycled Water	0	384	1,539	779	1,366
Total Billed Operating Revenue	$ 129,884	$ 128,497	$ 168,902	$ 162,519	$ 163,655
Cash Flow Adjustment*	1,154	2,341	590	(4,617)	678
Total Operating Receipts	$ 131,038	$ 130,838	$ 169,492	$ 157,902	$ 164,333
% Receipts to Billed Revenue	100.90%	101.80%	100.30%	97.20%	100.40%

* Cash Flow Adjustment is the difference between amounts billed to customers and payments received in a year due to delays between billings and payments over the budget year.

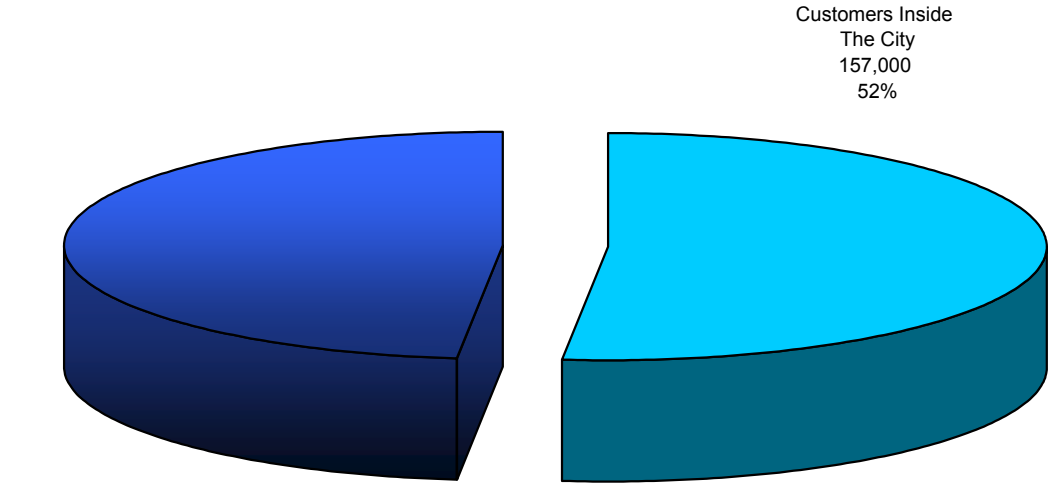
Non-Operating Receipts					
Merchandising, Jobbing & Contract Work	$ 1,546	$ 1,483	$ 1,300	$ 1,667	$ 1,342
Canals, Ditches and Ranches	670	539	299	567	299
Sewer Billing Charges	559	528	575	549	605
Other Non-Operating	379	48	800	11	600
Total Non-Operating Receipts	$ 3,154	$ 2,598	$ 2,974	$ 2,794	$ 2,846

2006 BILLED OPERATING REVENUE (SALE OF WATER)
BUDGET $164,333
(Thousands of Dollars)



Approximately 58% of the operating revenue will be from outside the City of Denver...

2006 CUSTOMERS
ESTIMATED 304,000



... while an estimated 48% of the customers are outside the City of Denver

Water Rates

The Board of Water Commissioners is authorized by Section 10.1.9 of the Charter to set rates for water service. Since its inception, the Board has set rates at a level sufficient to service its debt and to meet its expenses of operation and maintenance. The Board has never required ad valorem taxes to meet its obligations.

Rate increases are implemented from time to time in order to offset the impact of inflation and other operating financial requirements.

Water Rate Levels

The Board continually reviews its structure of water rates, adjusting them as may be necessary to provide adequate levels of revenue. In view of the operational and capital needs of the system and the impact of inflation, the Board conducts ongoing rate studies to determine required rate levels.

On September 14, 2005, the Board adopted new rates to take effect for water bills dated on and after January 1, 2006. The new water rates are designed to increase revenue from water sales, under normal weather conditions, by 8.0%.

History of Rate Increases

The following statistics show effective dates of past actions by the Board in setting adequate rates and the proposed incremental increases in revenues for the past 10 years.

Effective Date	Increase in Revenues
January 1, 1997	4.5%
January 1, 1998	3.1%
January 4, 1999	0.5%
March 6, 2000	2.5%
January 1, 2001	2.4%
January 1, 2002	2.5%
January 1, 2003	3.1%
January 1, 2004	5.0%
September 7, 2004	5.0%
January 1, 2005	8.0%
January 1, 2006	8.0%

Types of Service

Water rates are based on three types of retail metered service: Inside City, Outside City Read and Bill, and Outside City Total Service. Inside City service refers to all water users inside Denver. Outside City Read and Bill service refers to areas outside the city where Denver Water is responsible for water delivery to a distributo and for reading meters and billing customers, while the distributor is responsible for operation and maintenance of the distribution system. Outside City Total Service refers to areas outside the city where Denver Water is responsible for water delivery, reading meters, billing customers, as well as operation and maintenance of the distribution system.

A variation to the standard "Total Service" contract is the Total Service Improvement contract. Under this contract a Distributor whose system does not currently meet Denver Water Engineering Standards may request to enter into a "Total Service" Contract that includes special provisions for Denver Water to take dominion over the Distributor's existing water system and to upgrade the Distributor's water system to meet Denver Water engineering standards. A surcharge is assessed to each of the customers within the Distributor's service area to pay for the improvements.

Denver Water also provides wholesale water service to Master Meter Distributors (water districts outside the city) that own and operate their own water system, perform their own meter reading and customer billing, and purchase water on a wholesale basis for distribution to their respective retail customers. A variation of the standard Master Meter Contract was added in 2002. A Master Meter Distributor may elect to continue customer billing and collection functions within its service area but contracts with Denver Water to operate, maintain and replace its water system as needed. Currently Denver Water has no customers in this master meter class. Denver Water will bill the Distributor through master meters at a rate that reflects the cost of providing this additional service. As of December 31, 2004, wholesale water district contracts accounted for 25.82% of total treated water consumption.

Residential Bimonthly Billings

The table below illustrates the seasonal bimonthly billings for a single-family home using the 2006 water rates. Based on an annual consumption of 93,000 gallons per year and service though a 3/4" meter.

Type of Service	Average Winter	Average Summer
Inside City	$26.32	$49.02
Outside City (Read & Bill)	32.30	62.88
Outside City (Total Service)	36.40	72.41

Month	Consumption in Gallons
January - February	9,000
March - April	9,000
May - June	17,000
July - August	27,000
September - October	21,000
November - December	10,000
Total Annual Consumption	93,000

Survey of Comparative Water Bills

This table compares Denver's annual residential water bills with those of other independent suppliers in the Denver Metropolitan area for a representative residential customer based on usage of 93,000 gallons per year. This information is for comparison purposes only.

ANNUAL RESIDENTIAL WATER CHARGES
DENVER AND OTHER WATER DISTRIBUTORS
IN THE DENVER METROPOLITAN AREA

City	2005 Annual Water Service Charge	Percent of Denver Inside City Customer Charges
Golden Suburban	$717.64	338.85%
Arvada Suburban	$485.76	229.36%
Colo Springs Suburban	$480.14	226.71%
Thornton Suburban	$475.80	224.66%
Northglenn City	$406.35	191.86%
Westminster Suburban	$379.74	179.30%
Boulder Suburban	$376.97	177.99%
Golden City	$358.85	169.44%
Highlands Ranch	$354.60	167.43%
Broomfield City	$353.22	166.77%
Aurora City	$339.61	160.35%
Louisville Suburban	$336.80	159.02%
Boulder City	$327.89	154.82%
Thornton City	$323.01	152.51%
Colorado Springs City	$318.55	150.41%
Denver Suburban - 2006	**$310.49**	**146.60%**
Englewood Suburban	$305.10	144.06%
Westminster City	$303.90	143.49%
Arvada City	$242.88	114.68%
Englewood City	$223.91	105.72%
Denver City - 2006	**$211.79**	**100.00%**
Louisville City	$199.60	94.24%

System Development Charges and Participation Receipts

In addition to operating revenues and bond proceeds, funds are generated from (1) system development charges ("SDCs"), which are fees received for new connections to Denver Water's system, and (2) participation receipts, which are payments for capacity in specific facilities to serve specific groups of customers.

The system development charge ("SDC"), instituted in 1973, has provided a major source of funds for capital expenditures. Since 1973, Denver Water has collected approximately $509.2 million in SDCs. This charge applies to any applicant who is granted a license to take water through Denver Water's system or through a system deriving its supply from Denver Water. The charge is assessed upon application for a new tap and is based upon the (1) gross square footage of the single family residential lot or, (2) the number of units in a multiplex building served through a single tap or, (3) the size of the connection required. (See table on the following page.)

Since 1974, developers have been required to participate in the front-end financing of facilities necessary to meet their specific needs. Total participation receipts of $120.8 million have been collected since inception.

On November 24, 2005, the Denver Board of Water Commissioners approved an average 9.0% increase for all SDCs within Denver Water's Combined Service Area.

System Development Charges and Participation Receipts Collected
(Cash Basis - net of amounts refunded)
1973 - 2005

	SDCs	Participation Receipts
1973-86	$ 149,473,600	$ 43,647,100
1987	8,544,400	4,561,300
1988	6,084,600	3,067,700
1989	6,251,400	4,965,200
1990	6,615,100	1,838,700
1991	7,530,400	2,330,700
1992	10,920,300	1,198,800
1993	12,181,800	1,343,600
1994	13,535,700	2,881,800
1995	15,527,600	3,927,400
1996	15,137,300	2,913,102
1997	45,058,104	3,732,524
1998	33,155,890	8,411,534
1999	24,223,691	11,963,951
2000	25,525,391	6,392,360
2001	22,186,342	7,026,906
2002	36,590,914	5,567,014
2003	19,614,948	2,831,285
2004	24,833,961	2,228,550
2005	26,256,752	1,849,613
Total	$ 509,248,193	$ 122,679,139

History of Increases
System Development Charges
(First Implemented July 1973)

Effective Date	Incremental Increase
July 1, 1973	100.0%
April 1, 1975	50.0%
April 16, 1976	50.0%
January 1, 1980	50.0%
February 1, 1982	50.0%
January 1, 1986	7.0%
January 1, 1998	5.0%
January 4, 1999	5.0%
January 1, 2001	9.0%
April 1, 2003	9.2%
October 22, 2003	20.0%
November 24, 2005	9.0%

Water Rate Structure
(Effective January 1, 2006)

Customers are billed a meter charge plus a consumption charge as follows:

RETAIL METER CHARGE:

Meter Size	Monthly	Bimonthly
3/4 Inch	$5.47	$9.15
1 Inch	$8.71	$15.62
1 1/2 Inch	$18.06	$34.33
2 Inch	$28.60	$55.41
3 Inch	$46.25	$90.70
4 Inch	$67.64	$133.48
6 Inch	$134.23	$266.66
8 Inch	$172.73	$343.66
10 Inch	$220.41	$439.01
12 Inch and Above	$311.26	$620.72

RETAIL CONSUMPTION CHARGE (Bimonthly)

	Rate Per 1,000 Gallons		
Residential:		Outside City	Outside City
Single Family	Inside City	Read and Bill	Total Service
First 22,000 Gallons	$ 1.84	$ 2.48	$ 2.92
Next 38,000 Gallons	2.21	2.98	3.50
Next 20,000 Gallons	2.76	3.72	4.38
All over 80,000 Gallons	3.59	4.84	5.69
Small Multi-Family duplex with single meter*			
First 30,000 Gallons	1.59	2.10	2.58
Over 30,000 Gallons	1.91	2.52	3.10
All Other Retail:			
Winter	1.64	2.00	2.14
Summer	1.97	2.40	2.57

WHOLESALE RATE OUTSIDE CITY ONLY (Master Meter)	Rate Per 1,000 Gallons
Consumption Charge:	
All Consumption	$ 2.36

WHOLESALE with Maintenance (Master Meter Maintenance)	Rate Per 1,000 Gallons
All Consumption	$ 3.43

*Small Multi-family is 2 – 5 plex. The blocks increase with the number of units. See rate schedule for more details.

System Development Charge Schedule
(Effective January 30, 2005)

Single Family

Inside Denver	Outside Denver
$1,650 + $0.37 per Sq. Ft.	$2,300 +$0.52 per Sq. Ft.

Multifamily

Inside Denver	Outside Denver
$6,200 + $1,350 for each unit over 2	$8,700 + $1,900 for each unit over 2

All Other — **Treated Water**

Tap Size ($/Tap)	Inside Denver	Outside Denver
3/4	$4,600	$6,450
1	13,800	19,350
1½	27,600	38,700
2	41,450	58,050
3	101,200	141,900
4	179,400	251,550
6	308,200	432,150
8	414,000	580,500
10	524,400	735,300
12	639,400	896,550

Non-Potable

Tap Size ($/Tap)	Inside Denver	Outside Denver
3/4	$2,900	$4,050
1	8,700	12,150
1 ½	23,200	32,400
2	37,700	52,650
3	63,800	89,100
4	95,700	133,650
6	197,200	275,400
8	255,200	356,400
10	327,700	457,650
12	466,900	652,050

	Treated Water		Non-Potable Water	
Acre Foot Conversion ($/AF)	Inside Denver	Outside Denver	Inside Denver	Outside Denver
Inside the Combined Service Area	$ 10,150	$ 14,050	$ 6,285	$ 8,800
Outside the Combined Service Area		$ 14,675		$ 9,200

Section 3 - Expenditures By Program

Program Summary

Denver Water engages in specific activities to carry out Strategic and Integrated Resource Plan policies aimed at delivering high quality water at the lowest possible cost. These activities have been grouped into five broad categories or programs that follow the flow of water from raw water source to the customer's tap. Each program is further broken down into operation and maintenance and capital expenditure components. The programs are:

Raw Water Program - Provision of an adequate raw water supply. Includes collection and impounding reservoirs, collection systems, ditches and canals and raw water supply mains.

Recycled Water Program - Includes studies, engineering and construction of facilities for successive use of water for non-potable purposes.

Water Treatment Program - Treatment of water for delivery to customers. Includes treatment plants and the Water Quality Control Laboratory.

Delivery Program - Providing treated water to customers and distributors. Includes pumping stations, treated water reservoirs, transmission and distribution mains, fire hydrants, and decentralization stations.

Conservation Program – Offer and manage conservation programs and related activities to customers.

Customer Service Program – Provide meter reading, customer billing and assistance.

General Plant Program - Includes the West Side complex, administrative and meeting facilities, warehouses, yards and maintenance shops.

Total 2006 program budget expenditures of $261.7 million include $116.8 million for operation and maintenance; $97.5 million for capital for new additions, replacements and improvements and equipment as well as $47.4 million for debt service and related costs.

Operation and Maintenance

The Operation and Maintenance budget for 2006 is an increase of 4.8% over 2005 expenditures. Average annual growth in Operation and Maintenance expenditures has been just under 4 percent for the last ten years.

Over the past several years, Denver Water has experienced several unanticipated events which have impacted operations. Security measures following September 11, 2001, several major forest fires in 2002, and the ongoing drought have all increased expenditures in the Operation and Maintenance area.

As the Denver area has emerged from the drought of the past several years, we have become aware of the need to focus our day to day operations on permanent water efficiency and wise water use. To achieve this the Board has approved a variety of water conservation programs as well as an extensive communications plan to get the message to our customers. The 2006 budget includes $2.6 million for conservation programs and $1.6 million for community relations, including advertising.

In 2006, operation and maintenance staff will focus heavily on completing important maintenance projects that have been deferred or delayed over the past several years. Forty-four percent of the 2006 expenditure budget is related to operation and maintenance. The 2006 budget reflects the second year of dredging cost for sedimentation traps constructed on Goose and Turkey Creeks in response to the Hayman fire. The 2006 budget has also been heavily impacted by rapid increases in chemical, fuel and utility costs.

Major Capital Project Impact on Operations

Completion of capital projects continue to impact our operating costs. Capital projects having the most significant impact on operations are described below.

Redevelopment of Stapleton Airport and Lowry Air Force Base continues to have substantial impact on capital and operation and maintenance budgets. Stapleton Airport was closed in 1995 upon the opening of the new Denver International Airport. Lowry was decommissioned and the former base made available for redevelopment in September 1994. Both areas are now being developed as mixed-use communities featuring residential, office and retail facilities. As development occurs and new customers are connected to our system, costs for water treatment, delivery and maintenance of mains and lines will increase accordingly.

Our new recycled water plant became operational in 2003. As we began delivering recycled water to customers, our operating costs increased and now total $2.3 million annually. As the system grows and new customers are added, we anticipate further increases in operating costs. In 2006, operating costs for the plant will decrease slightly when we complete construction of our own sludge drying beds and no longer have to contract for this service.

Construction of the Gross Reservoir Hydro Unit will significantly change operations at that facility. Caretakers are preparing to undergo training and certification in hydropower operation. Maintenance on the units can be expensive, although the benefits received from selling the power generated there will help reduce our overall energy costs.

Completion of two major capital computer systems in the next few years will also have an impact on opearating costs. Our new Customer Care System, expected to be operational in early 2007, will require the addition of of two new IT support staff at an approximate cost of $197,000 per year. We will also add an IT position in 2006 to support our workforce automation system. The cost for this position is expected to be approximately $68,000 annually.

Capital

Capital expenditures for 2005 were $70 million, $18.7 million less than budgeted. The Board made the decision to delay the projects in the spring of 2005 when water storage levels indicated possible revenue shortfalls in the summer. There were 19 projects delayed in 2005, of these 16 are included in the Capital budget for 2006. A list of these projects is presented in the table below:

Capital Projects Delayed in 2005	Total 2005 Budget	2005 Deferred Amount
Gross Dam Hydropower	6,542,000	2,100,000
Main Improvements	3,106,000	150,250
Miller Lake	2,995,000	600,000
Conduit 20	2,626,000	2,295,000
Fulton Ditch	2,591,000	2,475,000
Main Replacements	1,888,000	101,500
Conduit 159	1,860,000	900,000
Vehicles	1,667,000	833,500
Marston Outlet	1,410,000	1,000,000
Lonetree Diesel Engine	747,000	600,000
Lake Lining	663,000	600,000
Strontia Sedimentation	587,000	510,000
Fraser River Piping	568,000	410,000
Office Furniture	369,258	130,000
Decentralization Stations*	292,000	220,000
Marston Variable Frequency Drives*	78,000	48,000
E Business Systems*	350,000	236,000
Data Warehousing	150,000	50,000
IT Infrastructure	2,743,000	808,000
Total	$31,232,258	$14,067,250

*Projects not carried over to 2006

Total 2006 budgeted capital expenditures are $97.5 million. Major construction projects include $8.4 million for the construction of a hydroelectric powerhouse at Gross Dam with a generating capacity of 7.6 megawatts, $16.6 million for projects related to the distribution and storage of recycled water, $4.8 million for gravel pit storage projects below the Metro Wastewater Plant, and $11.2 million for capitalized computer systems and equipment.

A list of major 2006 capital projects is shown on page 56 and 57. Additional detail information may be found on pages 58 through 73.

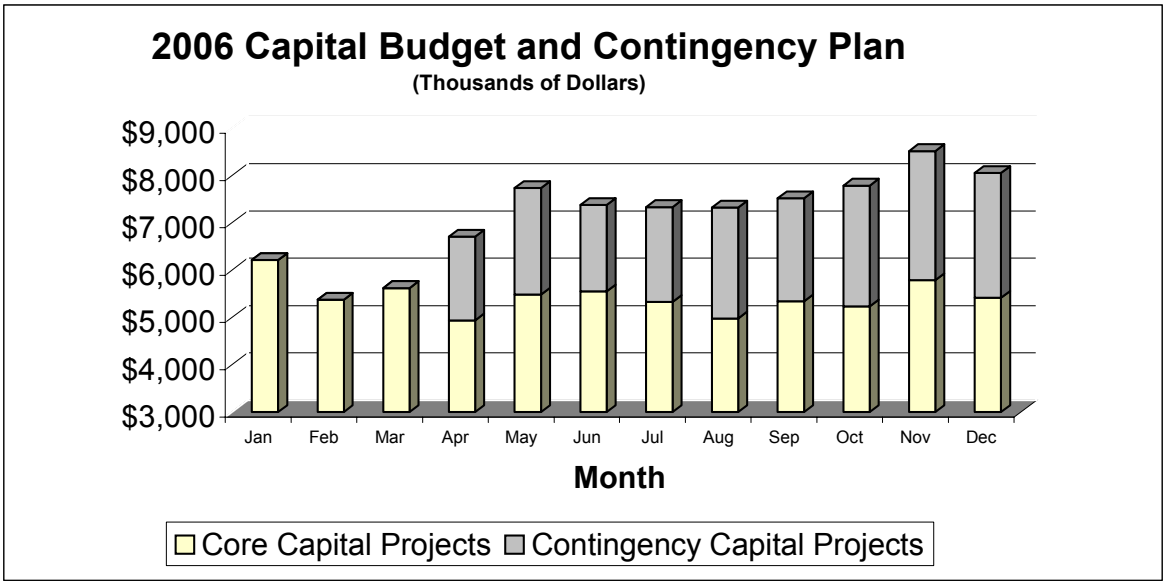
Capital Financing

Capital projects are financed through a mixture of participation receipts, system development charges and reimbursements for relocations of water facilities as a result of construction, debt, reserves and other sources.

Approximately $30.6 million of 2006 capital expenditures are shared with water distributors and others in the metropolitan area through participation contracts and system development charges, see Section 2 - Receipts Forecast, page 38.

2006 Contingency Planning

Given the financial impacts of the drought years, we have implemented a Capital Contingency Plan for 2006. This plan will allow us to be ready to move quickly to delay capital projects if water supply projections indicate a possible drought risk this spring. The projects included in the contingency plan have been budgeted to begin after April 1st. If water supply indicators show a potential water shortage, these $17.8 million in captial projects will not go forward in 2006. The chart below summarizes the 2006 Contingency Plan.



Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Contingency Capital Projects	$0	$0	$0	$1,768	$2,251	$1,823	$2,003	$2,344	$2,174	$2,551	$2,730	$2,639	$20,283
Core Capital Projects	$6,211	$5,375	$5,621	$4,941	$5,482	$5,549	$5,329	$4,978	$5,340	$5,233	$5,786	$5,414	$65,259
Total 2006 Capital Plan	$6,211	$5,375	$5,621	$6,709	$7,733	$7,372	$7,332	$7,322	$7,514	$7,784	$8,516	$8,053	$85,542

Supporting Activities

Each of the major programs contains a program element called supporting activities. This is an allocation of general and administrative expenditures that are not directly related to a particular program. These supporting activities can be characterized as indirect expenditures. A detailed listing of all of the supporting activities and their subsequent allocation to capital and operation and maintenance categories, along with further allocation to each of the major programs, is contained below.

Program Element: Administration & Distributed Indirects
2006
(Thousands of Dollars)

	Total 2006 Budget	Allocated To O & M	Capital
Administration			
Administration	27,227	22,871	4,356
Warehouse - Yards	785	659	126
Maintenance Shops	1,256	1,055	201
Other*	926	778	148
Total Administration	30,194	25,363	4,831
Benefits			
Employee Benefits	43,352	36,416	6,936
Gen. Liability & Other Ins.	810	680	130
Total Benefits	44,162	37,096	7,066
Total Allocation of Administration & Indirect Costs	74,356	62,459	11,990

* Includes Stores Issue and other adjustments including refunds to customers.

Summary of Allocation Of Administration & Indirect Costs to Programs

	Raw Water	Recycled Water	Water Treatment	Delivery	Conser.	Customer Service	General Plant	2006 Total
Operation and Maintenance	10,014	2,318	13,506	18,272	3,338	8,596	6,322	62,366
Capital	3,221	426	966	4,240	461	296	2,379	11,990
Total	13,235	2,744	14,472	22,512	3,799	8,892	8,701	74,356

MAJOR 2006 CAPITAL PROJECTS
(Thousands of Dollars)

	2006 Capital Budget
PROGRAM: RAW WATER	
Gross Dam Hydro-electric Project - Construction of a hydroelectric powerhouse with a generating capacity of 7.6 megawatts began in 2005. The project will produce clean renewable power and produce income. Commercial operation is planned for 2007.	$ 8,375
Marston Low Level Outlet Works - Replace the 90-inch oulet from the reservoir to the 144-inch influent pipe to pretreatment facility to provide better control and allow access to the lower 6,000 acre feet of the reservoir. Construction anticipated to begin fall 2006. Completion anticipated in 2008.	$ 1,630
Moffat Collection System Project - The Planning Division, through its PACSM water resource model, has determined that a water supply shortage will occur at the Moffat Treatment Plant during some drought years. This water supply shortage increases as build-out of the Combined Service Area is approached. If the Moffat Treatment Plant does not have enough water during a drought, Denver will not be able to meet its customer's water supply needs from the remaining two treatment plants. Therefore, development of additional water supply for the Moffat Treatment Plant is a high priority.	$ 2,909
Gravel Pit Storage Below Metro Wastewater - This project will develop storage using gravel pits downstream from Metro Sewer outfall to recapture water released to supplement metro reach flows in average and above average years. In dry years, the project will recapture reusable return flow when no exchange potential exists at S. Platte intakes and release water in late spring/early summer when exchange potential does exist for new yield and to augment the Recycled Water Project supply requirements.	$ 4,809
PROGRAM: RECYCLED WATER	
Recycled Water Project - Capitol Hill Storage, Montclair Storage & Pumping - This project replaces an aging water storage tank located adjacent to Congress Park with a smaller and modern tank. Demolition of the existing tank will begin in January 2006 and construction of the new tank will be completed by March 2007. Construction of the Montclair Pump Station will start in Spring 2006 and be completed in Spring 2007. This pump station allows the delivery of recycled water to the Lowry and Stapleton development areas.	$ 7,805
Recycled Distribution System - Conduits 303, 306, and 307 are in design. Construction is anticipated to begin in 2006.	$ 8,761
PROGRAM: WATER TREATMENT	
Foothills Treatment Plant Water Improvements - This project is the construction of a chlorine contact basin that allows compliance with future regulations on the control of disinfection by-products. The basin will be designed to house future state-of-the-art UV disinfection equipment. The design will be completed in 2006 and antcipated construction would begin in 2007.	$ 898
PROGRAM: DELIVERY	
Lonetree Diesel Engine Generator - Install engine generator sets with sound attenuated enclosures, critical silencers, sub-base fuel tanks, switch-gear transfer switches and all electrical conduit required. Project also includes brick walls, access roads, and fencing where necessary. Construction to begin in 2006. Anticipated completion is in 2007.	$ 1,197
Eleven Mile Dam - Outlet Works Renovations - Replace existing discharge valves, renovate building, and add valves for low flow discharges. Construction began 2005. Completion date is anticipated in 2006.	$ 980

MAJOR 2006 CAPITAL PROJECTS
(Thousands of Dollars)

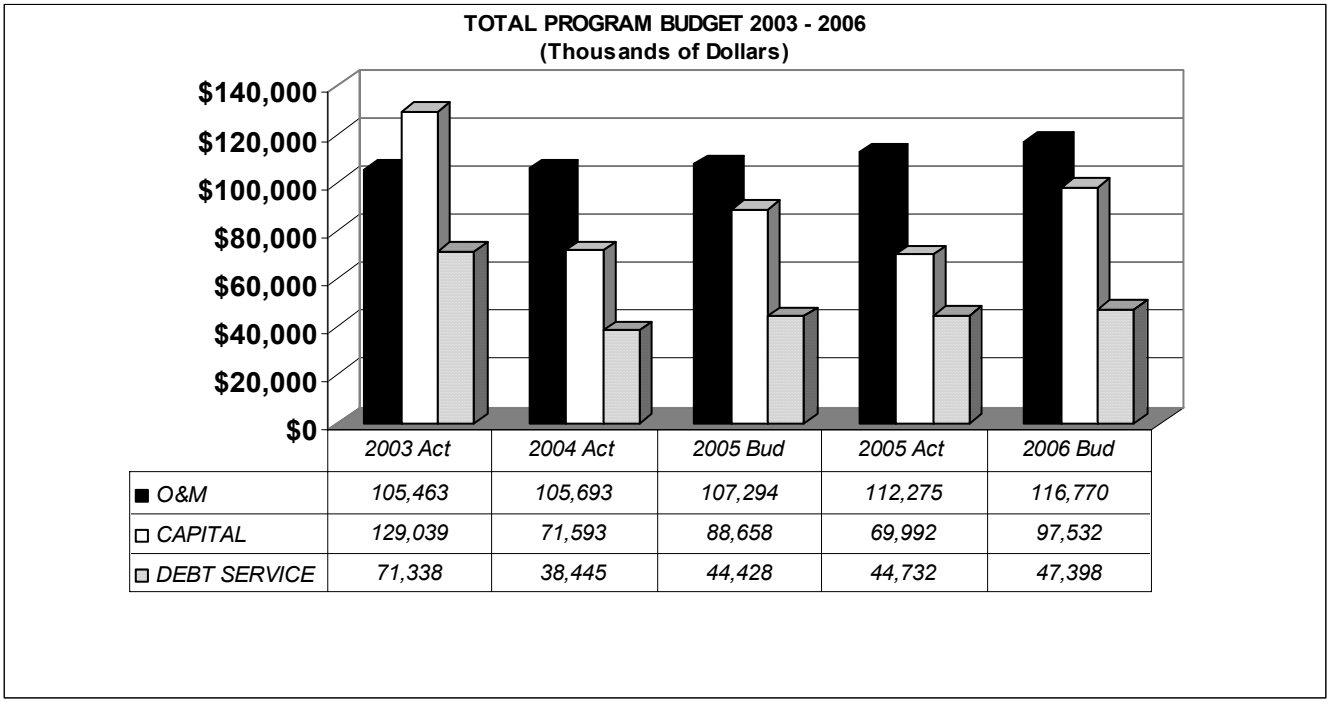
		2006 Capital Budget
PROGRAM: DELIVERY (Continued)		
Conduit 129 - C470 to Colorow - This project includes installing approximately 6,000 ft of new 30-inch pipe. Anticipated construction will start in June 2006 with completion in September 2006.	**$**	1,215
Large Meter AMR Program - Purchase and install large meters (1-1/2 to 16 inch) to replace approximately 3,800 older meters throughout the entire Denver Water Service Area with new meters compatible with the Automatic Meter Reading Project. The program began in April, 2004 with 3,000 meters replaced the two years, and will be completed in mid 2007.	**$**	1,300
Conduit 154, 158, and 159 - Approximately 10,500 ft. of new 30-inch pipe at various locations in Denver and Wheat Ridge. Anticipated construction begins June 2006. Completion date is anticipated for Dec. 2006.	**$**	1,871
Main Improvements and Replacements - Includes installation of new mains for looping and other systems improvements and replacement of deteriorated, obsolete and leaking mains under 24" in diameter. Continuous program.	**$**	3,845
PROGRAM: GENERAL PLANT		
Motor Vehicles & Heavy Equipment - 4 new & 43 replacement vehicles; 3 new & 9 replacement heavy equipment purchases.	**$**	1,605
Capitalized Computer Systems and Equipment - Centralized computer hardware is budgeted at $786,000, centralized software $610,000, PCs and related equipment at $509,000, and capitalized computer systems at $9.3 million, including $6.7 million for the Customer Care System.	**$**	11,174
ALL OTHER CAPITAL EXPENDITURES	**$**	27,168
TOTAL 2006 CAPITAL BUDGET BEFORE SUPPORTING ACTIVITIES[(2)]	**$**	85,542
SUPPORTING ACTIVITIES	**$**	11,990
TOTAL 2006 CAPITAL BUDGET	**$**	97,532

[(1)]Note: There are 279 projects in the 2006 Capital Work Plan. The 15 projects shown constitute 63% of the budget for total projects before the addition of supporting activities to Capital.

Program Budget Expenditures Summary

The graph below shows the historical trend of operation and maintenance, capital and debt service expenditures summarized by program on page 59. Increases in operation and maintenance expenditures for 2006 reflects a variety of water conservation programs as well as an extensive communications plan to promote permanent water efficiency and water wise use; dredging costs for sedimentation traps constructed on Goose and Turkey Creeks in response to the Hayman fire; and rapid increases in chemical, fuel and utility costs. Cost impacts for prior years reflect the new Recycled Water Plant that began operation in the spring of 2004, increasing costs for water treatment, environmental compliance related activities and drought related response and rebate expenditures.

The high level of capital expenditures in 2003 reflects $53.2 million for design and construction of the Recycled Water Plant and Distribution System project, $11.7 million for Marston Treatment Plant upgrades to comply with Federal and State regulations, $14.5 million for Automated Meter Reading and $3.9 million for new computer systems and hardware. The 2006 budgeted increase is partly due to 19 projects delayed in 2005 and carried over to 2006.



	2003 Act	2004 Act	2005 Bud	2005 Act	2006 Bud
■ O&M	105,463	105,693	107,294	112,275	116,770
□ CAPITAL	129,039	71,593	88,658	69,992	97,532
□ DEBT SERVICE	71,338	38,445	44,428	44,732	47,398

Program Expenditures Summary
2003-2006
(Thousands of Dollars)

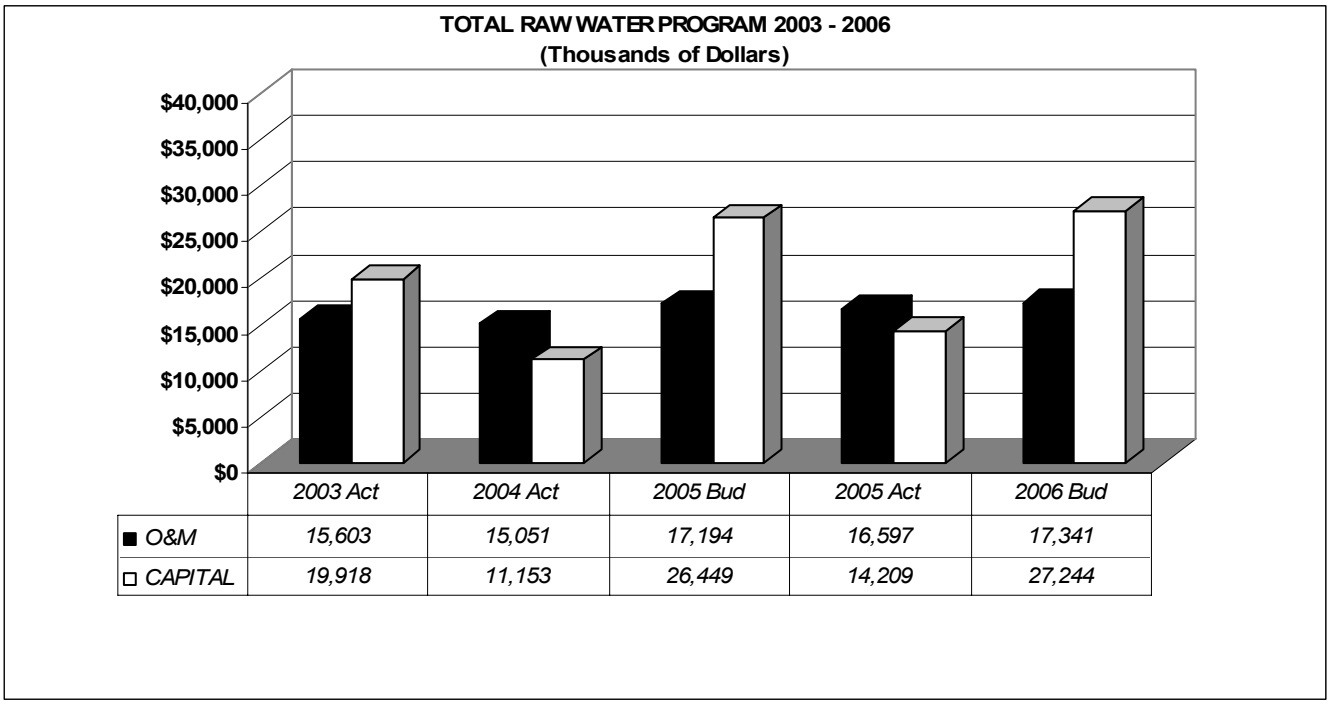
Program Elements	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Operation and Maintenance Programs:					
Raw Water	$ 15,603	$ 15,051	$ 17,194	$ 16,597	$ 17,341
Recycled Water	1,153	3,479	4,092	4,455	4,616
Water Treatment	20,369	21,720	23,330	24,508	25,959
Delivery	25,238	31,840	27,280	35,854	33,522
Conservation	16,837	7,600	7,380	3,653	6,124
Customer Service	12,650	13,363	12,785	14,079	15,768
General Plant	13,614	12,640	15,232	13,129	13,440
Total Operation & Maintenance	$ 105,463	$ 105,693	$ 107,294	$ 112,275	$ 116,770
Capital Programs:					
Raw Water	$ 19,918	$ 11,153	$ 26,449	$ 14,209	$ 27,244
Recycled Water	54,689	13,025	2,406	3,941	17,861
Water Treatment	15,326	7,271	5,139	6,040	5,970
Delivery	10,240	19,040	27,157	27,710	22,857
Conservation	3,489	2,467	6,778	3,042	2,475
Customer Service	17,458	7,673	4,170	3,628	1,600
General Plant	7,919	10,964	16,560	11,422	19,525
Total Capital	$ 129,039	$ 71,593	$ 88,658	$ 69,992	$ 97,532
Debt Service, Related Costs and Interest on Reserve Funds	$ 71,338	$ 38,445	$ 44,428	$ 44,732	$ 47,398
Total Expenditures	$ 305,840	$ 215,731	$ 240,380	$ 226,999	$ 261,700

Raw Water Program

This program contains all of the expenditures related to the operation and maintenance of raw water facilities from source to treatment such as collection systems, storage reservoirs, intakes, wells, ditches and canals. It also includes capital expenditures related to hydropower development, water rights acquisitions, ongoing raw water development, replacements and improvements to existing facilities and related activities. Total expenditures budgeted in 2006 for the Raw Water Program are $44.6 million, comprised of $17.3 million for operation and maintenance and $27.2 million for capital.

Major 2006 capital expenditures include Gross Dam Hydro-electric development at $8.4 million, gravel pit storage development of $4.8 million and Integrated Resource Planning projects of $3.5 million.

The graph below shows the historical trend of these expenditures. Operation and maintenance expenditures reflect the clean up and repair work in 2003 resulting from the Hayman fire at $662,000.



	2003 Act	2004 Act	2005 Bud	2005 Act	2006 Bud
■ O&M	15,603	15,051	17,194	16,597	17,341
□ CAPITAL	19,918	11,153	26,449	14,209	27,244

Program: Raw Water
2003-2006
(Thousands of Dollars)

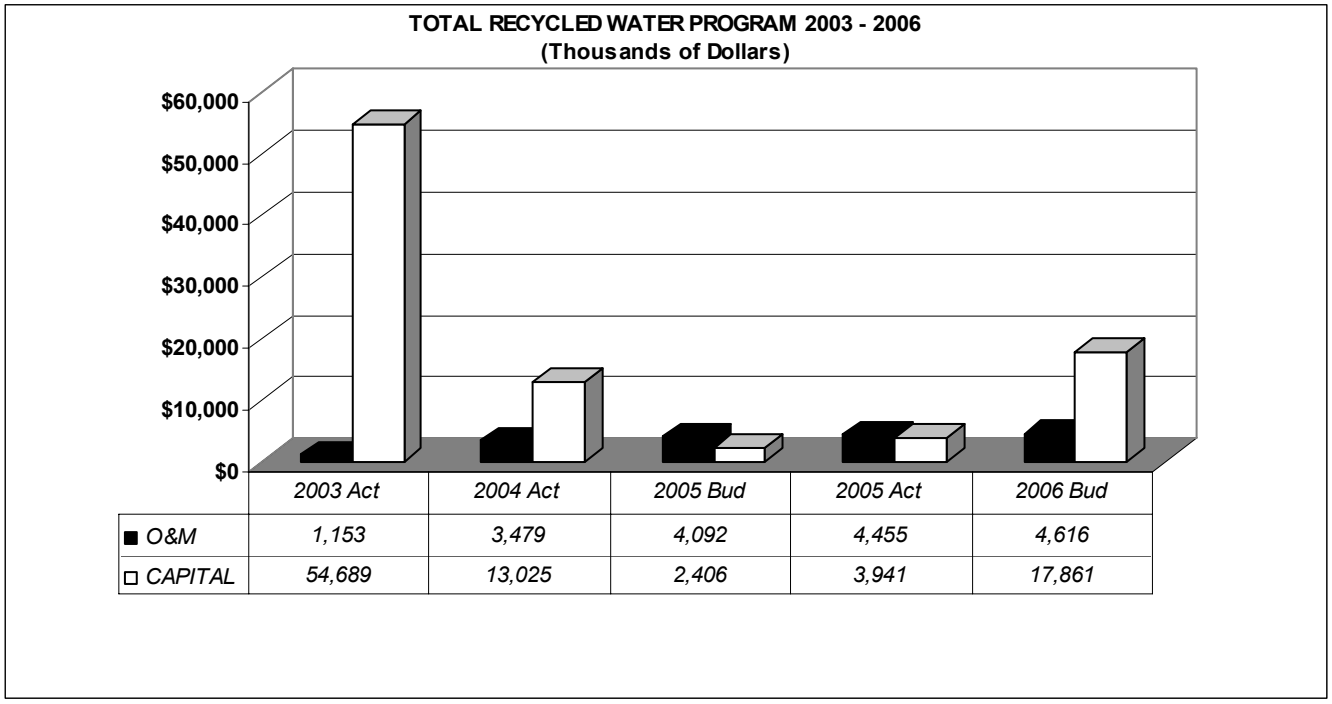
Program Elements	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Operation and Maintenance:					
Supervision and Engineering	$ 182	$ 174	$ 228	$ 162	$ 350
Storage Reservoirs	1,901	2,048	3,441	2,019	2,488
Intakes, Wells, Ditches & Canals	667	1,039	938	1,194	893
Supply Mains & Collection Systems	1,207	1,180	1,025	1,279	1,136
Power Generation	539	499	271	317	571
Resource Development, Planning & Ctrl	833	902	975	1,251	1,193
Investigation & Development	273	216	168	317	176
Source Watershed Protection	230	201	475	167	509
Hayman Fire Rehabilitation	662	1	15	219	11
Subtotal	$ 6,494	$ 6,260	$ 7,536	$ 6,925	$ 7,327
Distribution of Administration & Indirect Costs	9,109	8,791	9,658	9,672	10,014
Total Operation & Maintenance	$ 15,603	$ 15,051	$ 17,194	$ 16,597	$ 17,341
Capital:					
Water Rights	$ 842	$ 665	$ 562	$ 703	$ 634
Hydropower Development -					
Gross Dam	247	999	6,948	2,613	8,636
Williams fork	251	367	91	189	11
Winter Park Headquarters Relocation	2,111	170	0	229	0
Gravel Pit Storage (IRP Project)	5,654	1,943	5,993	4,646	4,809
Integrated Resource Planning	1,484	1,815	3,484	1,799	3,461
Gross Res.-Outlet Works Gates	3,435	316	0	8	0
Marston-Constr Multi Level Outlet Works	0	0	1,410	18	1,630
Hayman Fire Rehabilitation	1,333	927	0	198	0
Other Raw Water Improvements	383	479	2,088	340	1,057
Raw Water Modifications and Replacements	2,274	1,452	3,161	1,213	3,785
Subtotal	$ 18,014	$ 9,133	$ 23,737	$ 11,956	$ 24,023
Distribution of Administration & Indirect Costs	1,904	2,020	2,712	2,253	3,221
Total Capital	$ 19,918	$ 11,153	$ 26,449	$ 14,209	$ 27,244
Total Raw Water Expenditures	$ 35,521	$ 26,204	$ 43,643	$ 30,806	$ 44,585

Recycled Water Program

This program includes the operation and maintenance and capital expenditures related to the recycling of water. Total 2006 expenditures for the Recycled Water Program are budgeted at $22.5 million, comprised of $4.6 million for Operation and Maintenance and $17.9 million for capital construction.

Capital expenditures are for the design, engineering and construction of a treatment plant and distribution system. These facilities will serve recycled water to customers for irrigation, cooling systems and similar purposes. Phase I design of the project began in 1998 and the plant began operating in late spring of 2004. The 2006 estimate includes $16.6 million for the Recycled Water Distribution System and facilities which are anticipated to be complete by 2007. This expansion will enable service to the southern portion of Stapleton, Lowry, and nearby customers. Distribution facilities will be completed to serve northern portions of Stapleton, Rocky Mountain Arsenal, and adjacent customers by 2011. Further service to DIA, Gateway, and the northeast is anticipated to be provided by 2013.

The graph below shows the Recycled Water Program from 2003 to 2006. The table on page 63 provides more detailed information.



	2003 Act	2004 Act	2005 Bud	2005 Act	2006 Bud
■ O&M	1,153	3,479	4,092	4,455	4,616
□ CAPITAL	54,689	13,025	2,406	3,941	17,861

Program: Recycled Water
2003-2006
(Thousands of Dollars)

Program Elements	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Recycled Water Plant	$ 422	$ 1,902	$ 1,885	$ 2,068	$ 2,165
Recycled Solids Handling	0	77	331	335	104
Recycled Water Service Lines	0	3	24	2	0
Recycled Water Mains	0	18	12	35	29
Subtotal	$ 422	$ 2,000	$ 2,252	$ 2,440	$ 2,298
Distribution of Administration & Indirect Costs	731	1,479	1,840	2,015	2,318
Total Operation & Maintenance	$ 1,153	$ 3,479	$ 4,092	$ 4,455	$ 4,616
Capital:					
Recycled Water Distribution System	$ 13,717	$ 4,944	$ 810	$ 3,183	$ 17,344
Recycled Water Plant	39,456	8,485	1,237	313	0
Modifications and Replacements	0	0	0	0	91
Subtotal	$ 53,173	$ 13,429	$ 2,047	$ 3,496	$ 17,435
Distribution of Administration & Indirect Costs	1,516	(404)	359	445	426
Total Capital	$ 54,689	$ 13,025	$ 2,406	$ 3,941	$ 17,861
Total Recycled Water Expenditures	$ 55,842	$ 16,504	$ 6,498	$ 8,396	$ 22,477

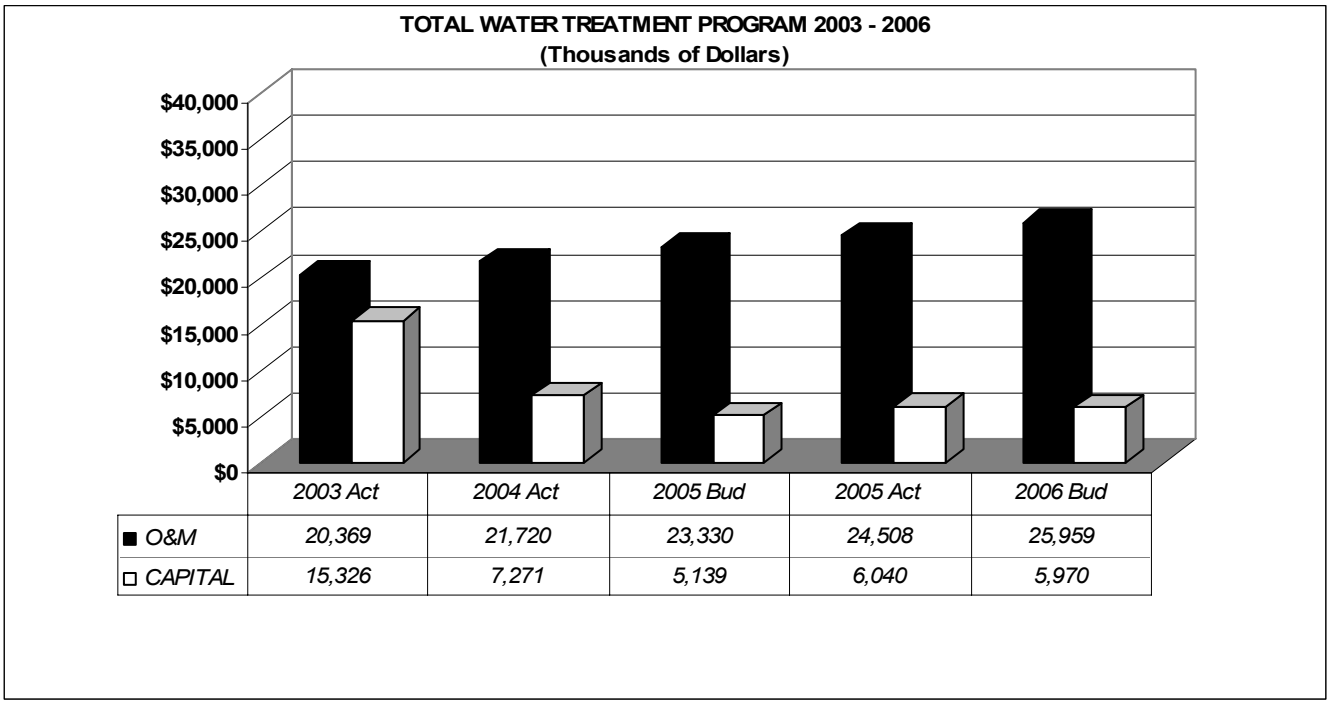
Water Treatment Program

This program contains all expenditures related to the treatment of raw water, including operation and maintenance of the Moffat, Marston and Foothills water treatment plants, solids handling facilities and the Quality Control Laboratory, as well as capital expenditures for improvements, modifications and replacements to existing treatment facilities. Total 2006 expenditures for the Water Treatment Program are budgeted at $31.9 million, comprised of $25.9 million for operation and maintenance and $6.0 million for capital.

The 2006 capital expenditure reflect modifications and improvements to the Foothills and Moffat Treatment. Increase in operations and maintenance in 2006 reflects higher chemicals costs and utilities.

The cost of treatment chemicals rose significantly in 2005. The reasons for the increase include higher demand for the chemicals, particularly in China, higher energy costs, higher transportation costs, and tight markets due to manufacturing facilities operating near capacity. The price of two chemicals used in the treatment process, aluminum sulfate and caustic soda, experienced a price increase between late 2004 and early 2005. The chemical markets are extremely volatile and price fluctuations can be expected throughout 2005 and into 2006.

The graph below shows the historical trend of these expenditures. The high level of capital expenditures for 2003 reflects construction of disinfection facilities and other upgrades needed to meet Federal and State water quality regulations at Marston, Moffat and Foothills. The table on page 65 provides more detailed information.



	2003 Act	2004 Act	2005 Bud	2005 Act	2006 Bud
■ O&M	20,369	21,720	23,330	24,508	25,959
□ CAPITAL	15,326	7,271	5,139	6,040	5,970

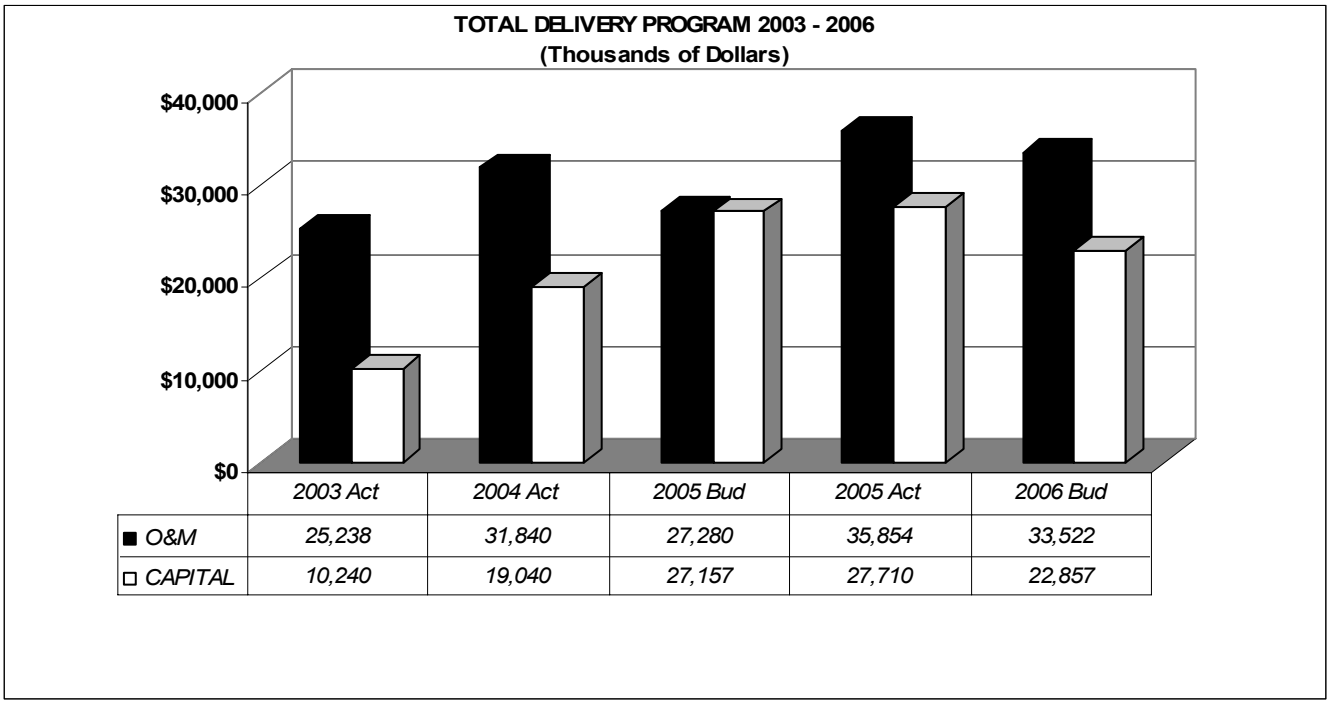
Program: Water Treatment
2003-2006
(Thousands of Dollars)

Program Elements	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Operation and Maintenance:					
Supervision and Engineering	$ 240	$ 243	$ 264	$ 233	$ 290
Treatment Plants	8,734	9,153	9,242	10,432	10,299
Water Quality Laboratory	1,536	1,598	1,871	1,724	1,864
Subtotal	$ 10,510	$ 10,994	$ 11,377	$ 12,389	$ 12,453
Distribution of Administration & Indirect Costs	9,859	10,726	11,953	12,119	13,506
Total Operation & Maintenance	$ 20,369	$ 21,720	$ 23,330	$ 24,508	$ 25,959
Capital:					
Marston Modifications & Improvements	$ 11,732	$ 4,823	$ 1,816	$ 2,229	$ 0
Foothills Modifications & Improvements	0	6	593	54	347
Foothills Disinfection Improvements	163	26	0	0	505
Other Treatment Improvements	2,516	1,621	2,277	3,257	4,152
Subtotal	$ 14,411	$ 6,476	$ 4,686	$ 5,540	$ 5,004
Distribution of Administration & Indirect Costs	915	795	453	500	966
Total Capital	$ 15,326	$ 7,271	$ 5,139	$ 6,040	$ 5,970
Total Water Treatment Expenditures	$ 35,695	$ 28,991	$ 28,469	$ 30,548	$ 31,929

Delivery Program

This program contains all expenditures relating to the delivery of water from the treatment plants to customers, including such items as operation and maintenance of pumping facilities and treated water storage facilities, maintenance of transmission and distribution mains, service lines, fire hydrants, conservation activities, customer services, billing and collection. Total 2006 budgeted expenditures are $56.4 million, comprised of $33.5 million for operation and maintenance and $22.9 million for capital. $5.0 million of the capital expenditures will be reimbursed through participation receipts. (See page 38, Participation Receipts.)

Major 2006 capital expenditures include $1.2 million for Diesel Engine & Variable Frequency Motor installations, $5.1 million for conduit construction and $9.2 million for transmission and distribution improvements and replacements.



	2003 Act	2004 Act	2005 Bud	2005 Act	2006 Bud
■ O&M	25,238	31,840	27,280	35,854	33,522
□ CAPITAL	10,240	19,040	27,157	27,710	22,857

Program: Delivery
2003-2006
(Thousands of Dollars)

Program Elements	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Operation and Maintenance:					
Supervision and Engineering	$ 2,787	$ 2,983	$ 2,765	$ 3,000	$ 4,088
Pumping and Storage	3,330	4,106	3,913	5,005	3,996
Mains	4,661	5,246	4,577	5,518	4,421
Service Lines	188	822	216	994	773
Fire Hydrants	569	645	440	598	563
Sprinkler & Domestic Service Connections, Decentralization Stations	1,464	1,469	1,444	1,119	1,408
Subtotal	$ 12,999	$ 15,271	$ 13,355	$ 16,234	$ 15,249
Distribution of Administration & Indirect Costs	12,239	16,569	13,925	19,620	18,273
Total Operation & Maintenance	$ 25,238	$ 31,840	$ 27,280	$ 35,854	$ 33,522
Capital:					
Diesel Engines/Variable Frequency Mtrs	0	200	1,930	1,589	1,197
Other Pumping & Storage	1,643	1,058	3,625	4,725	3,090
Total Pumping and Storage	$ 1,643	$ 1,258	$ 5,555	$ 6,314	$ 4,287
Conduit Construction	$ 1,160	$ 1,547	$ 3,522	$ 830	$ 5,118
Transmission & Distribution	5,689	11,736	13,582	15,443	9,204
Subtotal	$ 8,492	$ 14,541	$ 22,659	$ 22,587	$ 18,609
Distribution of Administration & Indirect Costs	1,748	4,499	4,498	5,123	4,248
Total Capital	$ 10,240	$ 19,040	$ 27,157	$ 27,710	$ 22,857
Total Delivery Expenditures	$ 35,478	$ 50,880	$ 54,437	$ 63,563	$ 56,379

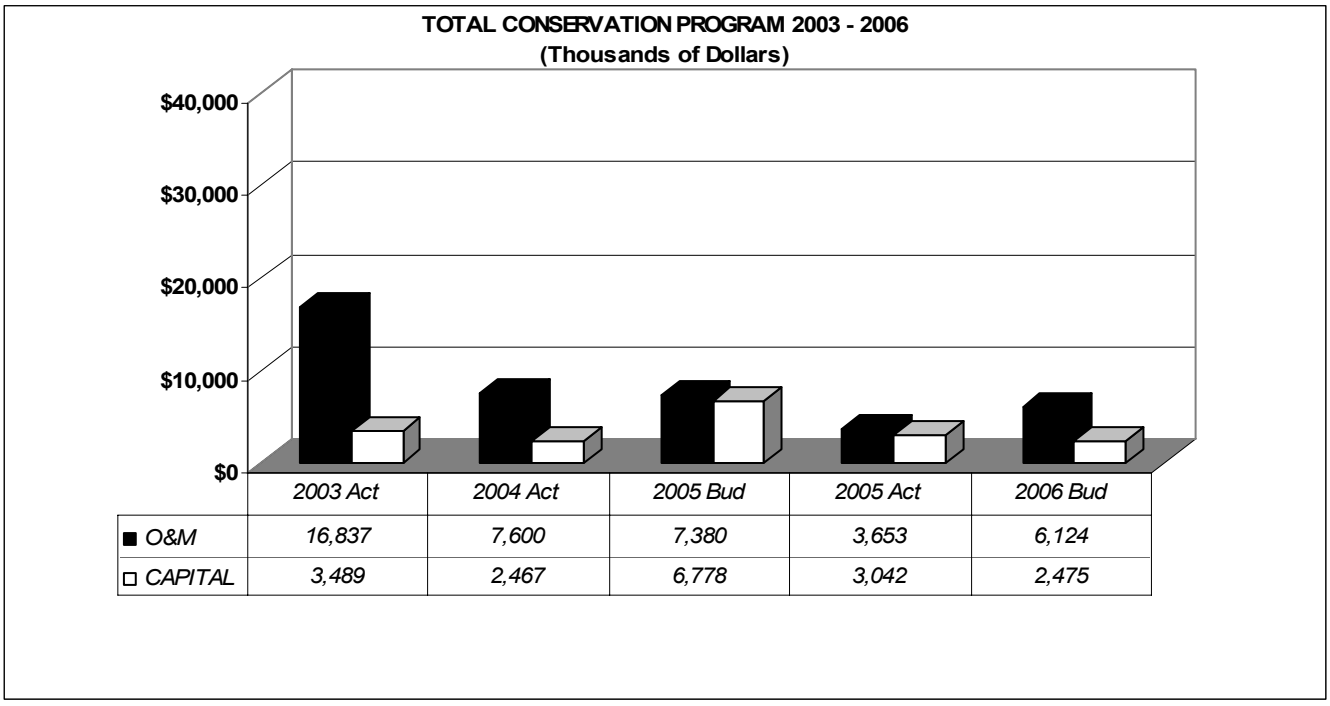
Conservation Program

This program contains all expenditures relating to conservation programs and activities. Total 2006 budgeted expenditures are $8.6 million, comprised of $6.1 million for operation and maintenance and $2.5 million for capital.

Major 2006 capital expenditures include $1.6 millions for Drought Response projects; $980,000 for 11 Mile Dam Outlet Works Renovations, $572,000 for Grasmere Lake Lining. 2006 Xeriscaping projects for $400,000 include Cherry Hills, Einfeldt and Green Mountain Pump Stations and Capitol Reservoir.

Major operation and maintenance expenditures for 2006 are $6.0 million for ongoing conservation activities, including commercial/industrial incentives and drought related activities. In total, 2003 and 2004 drought response expenditures were $4.1 million, and $830,000, respectively.

The graph below shows the historical trend of these expenditures. The operation and maintenance increase 2003 was due to drought response measures. The table on 69 provides more detailed information.



	2003 Act	2004 Act	2005 Bud	2005 Act	2006 Bud
■ O&M	16,837	7,600	7,380	3,653	6,124
□ CAPITAL	3,489	2,467	6,778	3,042	2,475

Program: Conservation
2003-2006

(Thousands of Dollars)

Program Elements	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Operation and Maintenance:					
Ongoing Activities	$ 999	$ 2,239	$ 3,562	$ 1,574	$ 2,786
Drought Response	4,058	830	50	79	0
Rebates	3,615	576	1	1	0
Subtotal	$ 8,672	$ 3,645	$ 3,613	$ 1,654	$ 2,786
Distribution of Administration & Indirect Costs	8,165	3,955	3,767	1,999	3,338
Total Operation & Maintenance	$ 16,837	$ 7,600	$ 7,380	$ 3,653	$ 6,124
Capital:					
Xeriscaping	17	598	386	375	400
Drought Response	2,876	1,286	5,269	2,033	1,625
Subtotal	$ 2,893	$ 1,884	$ 5,655	$ 2,408	$ 2,025
Distribution of Administration & Indirect Costs	596	583	1,123	634	450
Total Capital	$ 3,489	$ 2,467	$ 6,778	$ 3,042	$ 2,475
Total Conservation Expenditures	$ 20,325	$ 10,067	$ 14,158	$ 6,695	$ 8,599

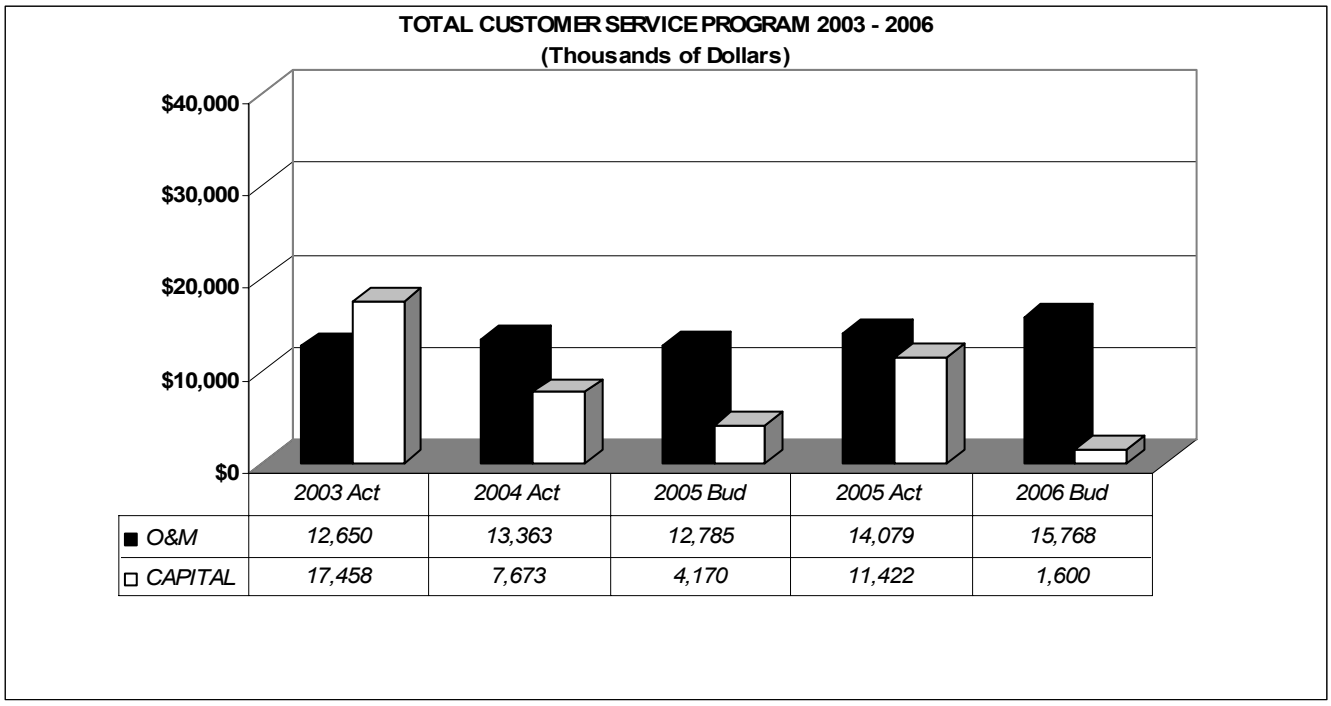
Customer Service Program

This program contains all expenditures relating to customer services, billing and collection. Total 2006 budgeted expenditures are $17.4 million, comprised of $15.8 million for operation and maintenance and $1.6 million for capital.

2006 capital expenditure reflects the large meter upgrade of $1.3 million related to the Automated Meter Reading Project.

Major operation and maintenance expenditures for 2006 are $15.8 million for water service, sales, inspection and meter repair and maintenance.

The graph below shows the historical trend of these expenditures. The capital 2003 increase was due to the implementation of the Auto Meter Reading Program whereby equipment was installed throughout the entire Denver Water service area. 200,000 meters 1- inch and smaller were converted by contract by December 31, 2004 with approximately 5,000 meter to be installed in 2005. The table on page 71 provides more detailed information.



	2003 Act	2004 Act	2005 Bud	2005 Act	2006 Bud
O&M	12,650	13,363	12,785	14,079	15,768
CAPITAL	17,458	7,673	4,170	11,422	1,600

Program: Customer Service
2003-2006
(Thousands of Dollars)

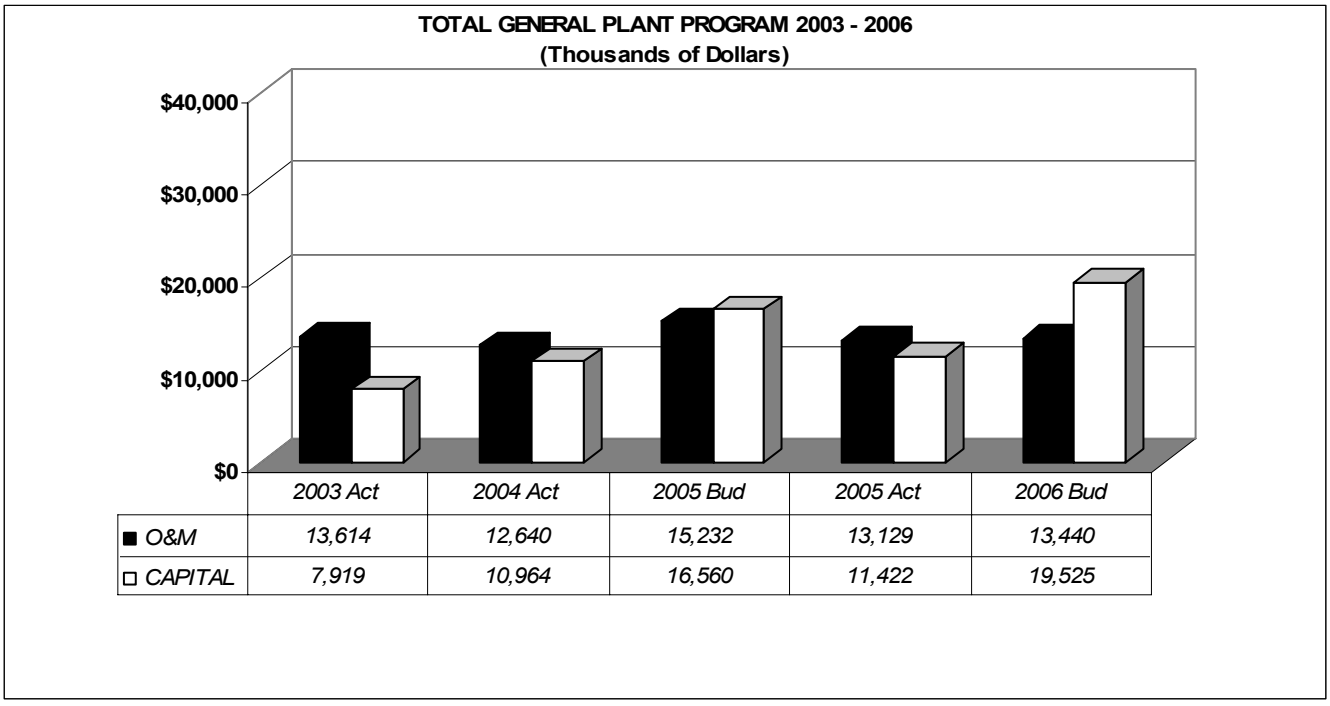
Program Elements	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Operation and Maintenance:					
Supervision	$ 406	$ 387	$ 364	$ 397	$ 418
Meter Repair & Maintenance	966	806	843	758	1,289
Water Service	4,754	4,888	4,702	4,803	5,083
Water Sales & Inspection	390	328	350	417	383
Subtotal	$ 6,516	$ 6,409	$ 6,259	$ 6,375	$ 7,173
Distribution of Administration & Indirect Costs	6,134	6,954	6,526	7,704	8,595
Total Operation & Maintenance	$ 12,650	$ 13,363	$ 12,785	$ 14,079	$ 15,768
Capital:					
Automated Meter Reading Project	14,478	5,860	3,479	2,872	1,300
Subtotal	$ 14,478	$ 5,860	$ 3,479	$ 2,872	$ 1,300
Distribution of Administration & Indirect Costs	2,980	1,813	691	756	300
Total Capital	$ 17,458	$ 7,673	$ 4,170	$ 3,628	$ 1,600
Total Customer Service Expenditures	$ 30,108	$ 21,036	$ 16,955	$ 17,708	$ 17,368

General Plant Program

This program contains all expenditures related to the operation and maintenance, construction and acquisition of general plant and equipment, including the Administration Building, West Side buildings and grounds, vehicles, heavy equipment, telemetering and computer-related items. Total 2006 expenditures budgeted for General Plant is $32.9 million comprised of $13.4 million for operation and maintenance and $19.5 million for capital.

Major 2006 capital expenditures include $1.6 million for purchase of motor vehicles and heavy equipment, and $11.2 million for mainframe, personal computers, network equipment, new facilities mapping, Customer Care System and other computer systems.

The graph below shows the historical trend of these expenditures. 2004 includes higher expenditures for the purchase of additional new computer systems and hardware. 2005 includes expenditures related to the Customer Care System of $3.2 million, Facility Management of $1.2 million and centralized hardware of $1.2 million . The table on page 73 provides more detailed information.



	2003 Act	2004 Act	2005 Bud	2005 Act	2006 Bud
■ O&M	13,614	12,640	15,232	13,129	13,440
□ CAPITAL	7,919	10,964	16,560	11,422	19,525

Program: General Plant
2003-2006
(Thousands of Dollars)

Program Elements	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Operation and Maintenance:					
West Side Complex	$ 1,564	$ 1,717	$ 2,152	$ 1,865	$ 2,044
Kassler Center	96	93	90	91	83
Motor Vehicle & Equipment	2,486	2,722	2,185	2,904	3,092
Radio System & Telemetering	1,467	1,023	1,707	924	723
Environmental Compliance	535	306	331	278	427
Safety & Security Related	346	141	35	121	149
Small Tools & Other Items	627	651	696	665	600
Subtotal	$ 7,121	$ 6,653	$ 7,196	$ 6,848	$ 7,118
Distribution of Administration & Indirect Costs	6,493	5,987	8,036	6,281	6,322
Total Operation & Maintenance	$ 13,614	$ 12,640	$ 15,232	$ 13,129	$ 13,440
Capital:					
West Side and Administration Complex	$ 342	$ 311	$ 691	$ 430	$ 1,956
Kassler Center	137	245	20	375	310
Decentralization Stations	98	7	292	38	317
Motor Vehicles & Heavy Equip	1,188	2,534	2,747	1,493	1,605
Computer Systems & Equipment	3,880	4,691	9,447	6,415	11,174
Communications, Office & Specialized Equipment	460	520	684	425	1,074
Control Instrumentation & Telemetering	276	273	155	11	220
Security Upgrades at Various Facilities	227	529	639	116	490
Other	35	2	339	75	0
Subtotal	$ 6,643	$ 9,112	$ 15,014	$ 9,378	$ 17,146
Distribution of Administration & Indirect Costs	1,276	1,852	1,546	2,044	2,379
Total Capital	$ 7,919	$ 10,964	$ 16,560	$ 11,422	$ 19,525
Total General Plant Expenditures	$ 21,533	$ 23,604	$ 31,792	$ 24,551	$ 32,965

Section 4 - Expenditures by Type of Expenditure

Type of Expenditure Summary

In this section, total 2006 budgeted expenditures of $261.7 million have been placed into categories that describe what these expenditures purchase. Each category accumulates expenditures for the particular type of purchase regardless of program or whether the expenditure is for operation and maintenance or for capital.

Page 78 of this section provides summary data for expenditures by type. Pages 79 through 91 provide detailed information on the number of employees and history of divisional explanations. The following is a brief description of each of the line items appearing on page 78.

Gross Payroll

Budgeted 2006 total payroll is $65.5 million, an increase of $3.1 million over 2005 actual payroll. The increase reflects an average overall budgeted wage and salary increase of 2.6% that went into effect January 2006, and a 3.5% vacancy rate. To help offset reduced revenues, the vacancy rate for 2005 was 4.5%.

The authorized 2006 proposed regular and introductory number of employees of 1,080 is 16 less than authorized for 2005. In total 22 full-time and regular positions have been eliminated and 6 positions were added. The Public Affairs Division is adding four new Customer Care Specialists to handle the expected growth in customers. The Information Technology Division is adding one new IT Support Tech I to support the new workforce management system. The Operation and Maintenance Division is adding one new Environmental Compliance Specialist to keep pace with the new Safe Drinking Water Act regulations. Please see page 82 for a complete list of all positions additions and deletions.

A summarized organization chart that shows reporting relationships can be found on page 83. A comparison of authorized 2005 and 2006 number of employees for regular, introductory, temporary, project, casual and part-time employees is shown on page 80.

Employee Benefits

Employee benefits for 2006 are budgeted at $32.2 million, an increase of $1.5 million above 2005 expenditures.

Materials and Supplies

Budgeted 2006 materials and supplies are $17.9 million; a decrease of $520,000 from 2005.

Outside Services

Budgeted outside services for 2006 total $44.3 million, including utilities and power for pumping, professional (consultant), and other services.

The 2006 budget includes $6.1 million for utilities and pumping power a decrease of $1.8 million from 2005. This is substantially due to a planned maintenance outage at Foothills Treatment Plant, lower utilization of the Recycled Water Plant than planned and refined modeling of future power usage.

The professional services budget of $11.9 million is a $4 million increase over 2005. This increase is largely due to the Moffact Collection System $2.5 million and the Foothills Treatment Plant Disinfection Modifications $425,000.

Other services are budgeted at $26.2 million for 2006. This $4.6 million increase over 2005 is primarily due to delaying the purchase of a new Customer Care System $6.7 million until 2006. Other services include such items as computer software and maintenance, employee training, books and subscriptions, postage, equipment rental and contracted maintenance.

General Equipment

Purchases of equipment for 2006 are budgeted at $3.2 million mostly for purchasing vehicles, heavy equipment and computer equipment. This is a $1.2 million increase over 2005 primarily due to higher purchases communications and specialized equipment.

Construction Contract Payments

This category includes payments for construction work and major material purchases under contract, purchase of water rights and acquisition of rights-of-way. These payments are budgeted at $49.2 million for 2006; an $20.0 million increase over 2005. The increase is primarily due to the projects related to the distribution storage of recycled water $16.6 million and the Gravel Pit Storage projects below the Metro Wastewater plant $4.8 million.

Refunds

Refunds consist primarily of system development charge and customer account refunds. The 2006 budget projects refunds of $523,000, a decrease of $669,000 from 2005.

Debt Service

Debt service includes principal and interest payments for general obligation bonds, revenue bonds, certificates of participation and capital leases. Debt service for 2006 is budgeted to be $47.1 million. See section 6, pages 95 - 100 for additional information. In the past, Denver Water relied on General Obligation Bonds. However, in 2002 the City Charter was changed to remove Denver Water's authority to issue General Obligation Bonds.

Total principal maturing and interest due in 2006 is as follows:

Bonds	Principal	Interest	Total
General Obligation	$13,345,000	$4,841,690	$18,186,690
General Obligation Redemption	695,000	0	695,000
Revenue Bonds	8,250,000	9,673,170	17,923,170
Subtotal Bonds	22,290,000	14,514,860	36,804,860
Capital Leases			
Moffat and Marston COPS	5,005,000	2,326,870	7,331,870
Wolford Mountain Reservoir	1,165,034	1,834,966	3,000,000
Subtotal Capital Leases	6,170,034	4,161,836	10,331,870
Total Debt Service	$28,460,034	18,676,696	47,136,730

Other

Other includes such items as claims, taxes collected on meter and materials sales, adjustments and expenditures not included in the above categories. The 2006 budgeted amount for other is $1.6 million; this is a $45,000 decrease from 2005.

Comparison of Expenditures by Type of Expenditure
2003 - 2006
(Thousands of Dollars)

	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Gross Payroll	$ 59,472	$ 62,227	$ 63,906	$ 62,401	$ 65,509
Employee Benefits	27,133	28,568	29,440	30,652	32,195
Materials and Supplies	25,157	17,527	17,886	18,471	17,951
Utilities & Pumping Power	5,737	6,540	5,419	7,938	6,096
Professional Services	11,695	9,362	10,637	7,354	11,931
Other Services	18,920	20,738	23,390	20,733	26,245
General Equipment	1,511	3,189	4,129	2,010	3,245
Construction Contract Payments	80,072	27,536	38,717	29,209	49,257
Refunds	537	760	464	1,192	523
Debt Service	70,853	38,146	44,009	44,486	47,137
Other	4,753	1,138	2,383	2,553	1,611
Total Expenditures	$ 305,840	$ 215,731	$ 240,380	$ 226,999	$ 261,700

Section 5 - Organization

Denver Water is governed by the Board of Water Commissioners. The five Water Commissioners are appointed by the Mayor of Denver to staggered six-year terms. The Manager of Denver Water is appointed by the Board and is discretionary. In general, "discretionary" means that the Manager holds "executive discretion" and serves solely at the pleasure of the Board. The Manager appoints the Division Directors, who manage the divisions. The Directors also are discretionary and report directly to the Manager.

Organizationally, Denver Water is divided into eight divisions, which are then further divided into sections. The 2006 budgeted Table of Organization shown on page 80. Divisional summaries of the number of employees and expenditures by division are shown on pages 84 through 91.

Regular and Introductory Employees
(As of December 31, 2003 – 2006)

Division	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Manager & Staff	40.0	41.8	42.5	41.8	41.8
Information Technology	64.0	59.8	65.0	57.8	66.0
Public Affairs	147.8	143.6	143.0	137.6	144.0
Legal	12.5	13.5	13.6	12.3	13.6
Finance	55.0	54.0	59.0	54.0	58.0
Engineering	129.6	130.0	135.0	127.0	132.0
Planning	42.4	41.4	45.1	42.4	45.1
Operations & Maintenance	552.0	553.8	592.8	539.8	579.8
Totals	1,043.3	1,037.9	1,096.0	1,012.7	1,080.3
Authorized	1,087.1	1,095.0	1,096.0	1,096.0	1,080.3
Difference	(43.8)	(57.1)	0	(83.3)	0

2006 Budgeted Table of Organization
(Comparison with 2005)

	Regular-Introductory Staff				2006 Temporary and Project Staff			
Divisions/Sections	**12/31/05 Actual**	**2005 T. O.**	**2006 T. O.**	**Change in T.O.s**	**Temp-orary**	**Proj Temp**	**Casual Part-Time**	**Budget Total**
Manager & Staff Division								
Manager and Staff	14.0	14.0	14.0	0.0	-	-	-	-
Human Resources	27.8	28.5	27.8	(0.7)	-	0.0	-	-
Total Manager & Staff Division	41.8	42.5	41.8	(0.7)	0.0	0.0	0.0	0.0
Information Technology Division	57.8	65.0	66.0	1.0	-	9.0	-	9.0
Public Affairs Division								
Director of Public Affairs	7.0	7.0	7.0	0.0	-	-	-	-
Community Relations	4.2	4.4	4.4	0.0	-	1.0	1.0	2.0
Conservation	9.8	12.0	11.0	(1.0)	-	1.0	-	1.0
Central Services	3.0	3.0	3.0	0.0	-	-	-	-
Customer Care	35.0	36.0	40.0	4.0	3.0	-	-	3.0
Customer Services - Field	67.0	69.0	67.0	(2.0)	-	4.0	-	4.0
Sales Administration	11.6	11.6	11.6	0.0	-	-	-	-
Total Public Affairs Division	137.6	143.0	144.0	1.0	3.0	6.0	1.0	10.0
Legal Division	12.3	13.6	13.6	0.0	-	-	2.0	2.0
Finance Division								
Director of Finance	9.0	9.0	10.0	1.0	-	-	-	-
Treasury Operations	6.0	6.0	6.0	0.0	-	-	-	-
Budget	4.0	5.0	4.0	(1.0)	-	-	-	-
Purchasing	9.0	9.0	9.0	0.0	-	-	-	-
Accounting	18.0	19.0	19.0	0.0		-	-	-
Rate Administration	2.0	3.0	2.0	(1.0)	-	-	-	-
Records & Document Admin.	6.0	8.0	8.0	0.0	-	-		-
Total Finance Division	54.0	59.0	58.0	(1.0)	0.0	0.0	0.0	0.0
Engineering Division								
Administration	9.0	9.0	9.0	0.0	-	-	-	-
Programs & Projects	35.0	38.0	37.0	(1.0)	-	-	4.0	4.0
Survey	25.0	26.0	26.0	0.0	-	2.0	4.0	6.0
Distribution	38.0	40.0	39.0	(1.0)	-	-	7.0	7.0
Construction Management	20.0	22.0	21.0	(1.0)	-	-	2.0	2.0
Total Engineering Division	127.0	135.0	132.0	(3.0)	0.0	2.0	17.0	19.0

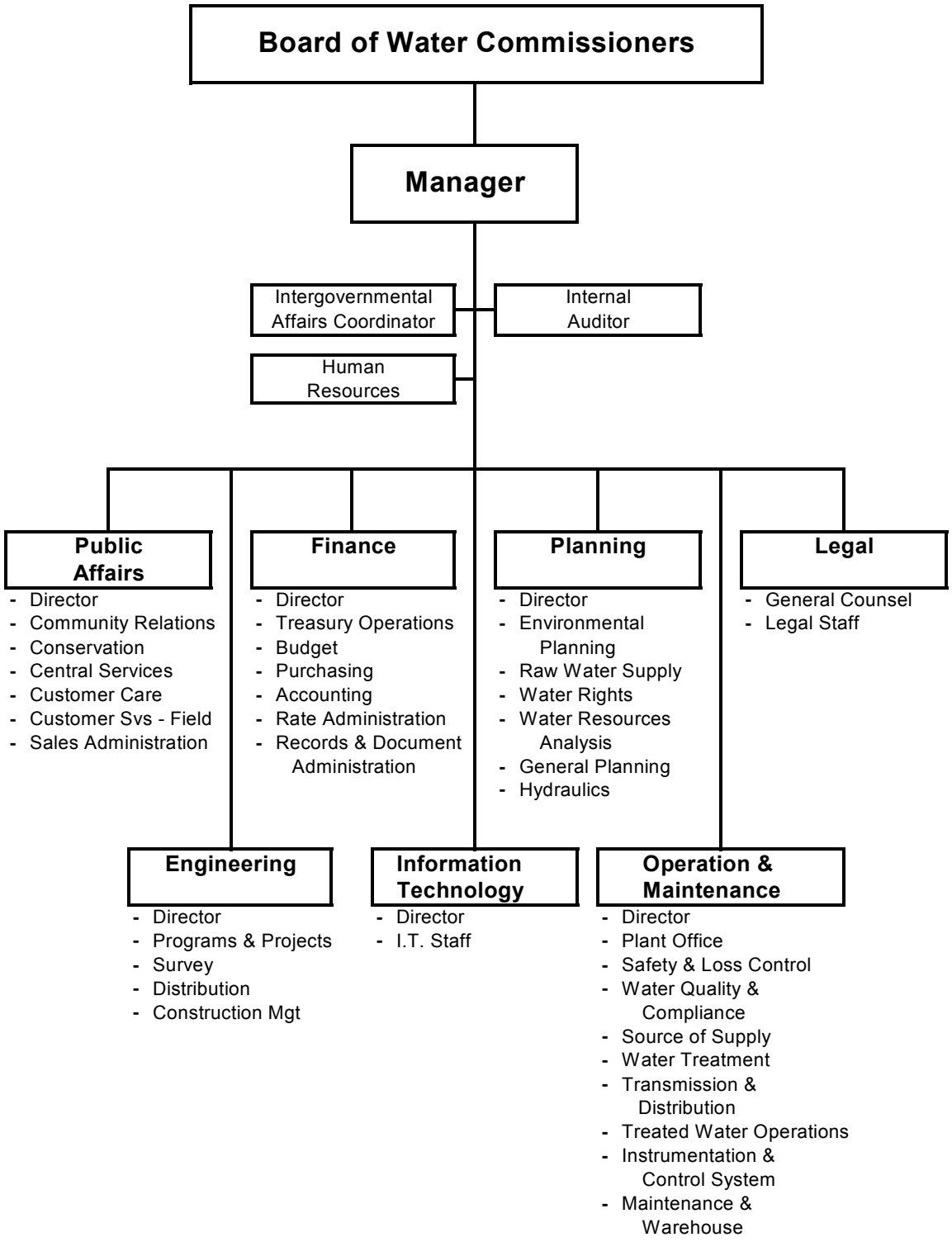
2006 Budgeted Table of Organization
(Comparison with 2005)

Divisions/Sections	Regular-Introductory Staff 12/31/05 Actual	2005 T. O.	2006 T. O.	Change in T.O.s	2006 Temporary and Project Staff Temp-orary	Proj Temp	Casual Part-Time	Budget Total
Planning Division								
Director of Planning	2.0	4.0	2.0	(2.0)	-	-	-	-
Environmental Planning	5.6	4.6	5.6	1.0	-	-	-	-
Raw Water Supply	6.0	6.0	6.0	0.0	-	-	1.0	1.0
Water Rights	7.0	7.5	8.5	1.0	-	-	-	-
Water Resources Analysis	10.8	11.0	11.0	0.0	-	-	-	-
General Planning	4.0	5.0	5.0	0.0	-	-	-	-
Hydraulics	7.0	7.0	7.0	0.0	-	-	5.0	5.0
Total Planning Division	42.4	45.1	45.1	0.0	0.0	0.0	6.0	6.0
Operations & Maintenance Division								
Plant Office	4.0	4.0	4.0	0.0	-	-	-	-
Water Quality & Compliance	31.8	31.8	32.8	1.0	2.0	1.0	-	3.0
Safety and Loss Control	14.0	13.0	15.0	2.0	-	-	-	-
Source of Supply	59.0	63.0	63.0	0.0	16.0	2.0	-	18.0
Water Treatment	88.0	88.0	95.0	7.0	-	-	2.0	2.0
Transmission & Distribution	156.0	175.0	167.0	(8.0)	-	-	6.0	6.0
Water Control	57.0	62.0	61.0	(1.0)	-	-	5.0	5.0
Instrumentation & Ctrl Systems	7.0	22.0	8.0	(14.0)	-	-	-	-
Maintenance and Warehouse	123.0	134.0	134.0	0.0	-	-	6.0	6.0
Total Operations & Maintenance Division	539.8	592.8	579.8	(13.0)	18.0	3.0	19.0	40.0
Total All Divisions	1,012.7	1,096.0	1,080.3	(15.7)	21.0	20.0	45.0	86.0

Budgeted Table of Organization Changes
2005-2006

Divisions/Positions	Net Change
Manager & Staff Division	
HR Specialist IV	(0.7)
	(0.7)
Public Affairs Division	
Conservation Specialist II	(1.0)
Customer Care Specialist II	2.0
CS Field Rep I	(2.0)
	2.0
Customer Care Specialist II	1.0
Finance Division	
Finance Tech II	(1.0)
	(1.0)
Information Technology	
IT Support Tech II	1.0
	1.0
Engineering Division	
Engineer III	(1.0)
Engineer Specialist I	(1.0)
Construction Inspector I	(1.0)
	(3.0)
Operations and Maintenance Division	
Business Support Tech II	(1.0)
Environmental Compliance Spec. I	1.0
Caretaker I	(1.0)
Assistant Superintendent	(1.0)
Laborer	(1.0)
Utility Worker I	(1.0)
Utility Worker II	(1.0)
Mech I	(1.0)
Mech II	(1.0)
Oper I	(1.0)
Oper II	(1.0)
Oper III	(1.0)
Service Worker I	(1.0)
I&C Foreman	(2.0)
	(13.0)
Total Position Changes	**(15.7)**

2006 Denver Water Summary Table of Organization



Manager and Staff Highlights

Division Activities

1. Serve as the chief executive of Denver Water and Secretary to the Denver Board of Water Commissioners.
2. Manages Denver Water's strategic operations in response to Board direction and sound business judgment.
3. Represent Denver Water in Regional water issues.
4. Maintain personnel policies; administer employee benefits and workers compensation plans.
5. Administer Denver Water's employment, training and compensation systems.

Accomplishments During 2005

1. Maintained focus on solutions to front range & Denver Water supply issues, including enhanced use of water conservation as part of the means of meeting future demands.
2. Reformed Board meeting procedures to focus more clearly on policy matters.
3. Successfully reduced expenditures in response to drought related revenue shortfalls.

Goals for 2006

1. Advance an aggressive, sophisticated program to promote water efficiency and wise water use.
2. Deepen and broaden the utility's fiscal / physical health in the wake of the drought.
3. Develop a comprehensive major crisis response plan.

Regular & Introductory Employees (At End of Year)*

Section	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Manager and Staff**	13.0	14.0	14.0	14.0	14.0
Human Resources	27.0	27.8	28.5	27.8	27.8
Total	40.0	41.8	42.5	41.8	41.8

* 2006 Budget has not been reduced by expected vacancy savings

'** IT postion became a separate division in 2005

Expenditure History (Thousands of Dollars)

	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Payroll	$ 8,750	9,687	4,644	4,684	5,148
Employee Benefits	12,938	14,085	14,826	15,928	16,959
Materials	1,181	915	127	129	131
Services	8,611	8,598	2,855	2,414	2,999
Equipment	192	476	0	0	0
Refunds	1	1	1	1	1
Other	7	29	50	36	70
Total	$ 31,680	33,791	22,503	23,192	25,308

Information Technology Highlights

Division Activities

1. Provide Computer Operations & Helpdesk services.
2. Provide end user PC support.
3. Implementation & support of enterprise technology Infrastructure.
4. Deployment & support of IT based business applications.
5. Development of new IT based business solutions.

Accomplishments During 2005

1. Implementation of a new phone system.
2. Implementation of an eVoucher System.
3. Implementation of a new Contract Support System.

Goals for 2006

1. Progress towards implementation of a new Customer Information System.
2. Implementation of a Mobile Workforce Automation System
3. Implementation of a new Planning & Budgeting System.

Regular & Introductory Employees (At End of Year)*

Section	2005 Budget	2005 Actual	2006 Budget
Information Technology*	65.0	57.8	66.0
Total	65.0	57.8	66.0

* IT became a separate divison in 2005

Expenditure History (Thousands of Dollars)

		2005 Budget	2005 Actual	2006 Budget
Payroll	$	5,426	5,152	5,645
Employee Benefits		0	0	0
Materials		1,005	977	709
Services		10,167	7,643	12,629
Equipment		1,078	441	1,064
Refunds		0	0	0
Other		0	0	0
Total	$	17,676	14,213	20,047

Public Affairs Highlights

Division Activities

1. Completion of the Automatic Meter Reading project for single family residences.
2. Continued replacement of old, large meters to new ones compatible with the AMR project.
3. Testing of a fixed-base meter reading system that would be suitable for selected geographic areas of Denver.
4. Participating in the design and implementation of new products to help Denver Water better communicate with our customer (CIS, telephone system, bill print, automatic dispatch).
5. Participation with the City and County of Denver in the Youth Conservation Corps and the Sustainable City initiatives.

Accomplishments During 2005

1. Completion of customer focus groups, surveys, and interviews with key officials to use in preparing a three-year Communications Plan.
2. Coordination and communication of the 2005 Summer Water Use Program which resulted in customers reducing usage by 20%.
3. Initiating a "soft collections" program to remind customers of delinquent bills, collect payments electronically, and thereby reducing turn-offs and eliminating multiple field visits to delinquent customers.

Goals for 2006

1. Complete AMR project for all customers. Redesign routes to evenly manage workflow and prepare for monthly billing.
2. Secure Board approval for a three-year Communications Plan that will provide detailed and continuous outreach to customers, employees, the West Slope and decision-makers.
3. Provide the Board with viable options for increasing the visibility and results from the Conservation effort and reinforce in our customers that Denver Water is thoroughly dedicated to helping them reduce their water use.

Regular & Introductory Employees (At End of Year)*

Section	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Director of Public Affairs	7.0	7.0	7.0	7.0	7.0
Community Relations	5.2	4.0	4.4	4.2	4.4
Conservation	12.0	12.0	12.0	9.8	11.0
Customer Care/Customer Services	110.0	107.0	105.0	105.0	110.0
Sales Administration	13.6	13.6	14.6	11.6	11.6
Total	147.8	143.6	143.0	137.6	144.0

*2006 Budget has not been reduced by expected vacancy savings

Expenditure History (Thousands of Dollars)

		2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Payroll	$	6,861	6,960	6,872	6,823	7,082
Materials		13,033	4,322	2,945	2,696	2,227
Services		5,452	4,552	3,501	2,609	4,658
Equipment		0	0	32	33	190
Contract Payments		50	0	0	0	0
Refunds		374	547	361	544	420
Other		3,685	1,165	2,053	403	1,211
Total	$	29,455	17,546	15,764	13,108	15,788

Legal Highlights

Division Activities

1. Representing and providing legal advice to the Board of Water Commissioners, the Manager and the various Divisions of Denver Water and handles all of its litigation.
2. The types of litigation handled include water rights, cases and diligence proceedings, administrative proceedings before State and Federal agencies, contract, civil rights and negligence cases, property suits and condemnations, and actions to recover Board charges and damages for injury to Board property and rights.
3. Represents the Board interests in administrative hearings and appeals within Denver Water relating to personnel problems and customer complaints, reviews and advises upon matters of pending legislation, and prepares and reviews contract documents of all kinds.

Accomplishments During 2005

1. Provided legal strategy that achieved an exemption from future FERC licensing for Williams Fork Reservoir.
2. Protected the Board's authority and discretion in responding to drought.
3. Maintained level of service to our clients despite being short-staffed for much of the year.

Goals for 2006

1. Respond to evolving challenges to the yield and operating flexibility of Denver Water's system, including challenges presented by various permitting processes and water court proceedings.
2. Provide representation to Denver Water in litigation involving construction disputes, tort claims, water rights, employment, Board policy decisions and other issues.
3. Provide legal interpretation, drafting and negotiations services as needed to help Denver Water manage its operations under continuously changing conditions.

Regular & Introductory Employees (At End of Year)

Section	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Legal	12.5	13.5	13.6	12.3	13.6
Total	12.5	13.5	13.6	12.3	13.6

*2006 Budget has not been reduced by expected vacancy savings

Expenditure History (Thousands of Dollars)

		2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Payroll	$	1,015.0	1,001.0	1,060.0	987.0	1,024.0
Materials		3.0	9.0	6.0	1.0	16.0
Services		264.0	262.0	445.0	271.0	691.0
Other		243.0	575.0	500.0	398.0	550.0
Total	$	1,525	1,847	2,011	1,657	2,281

Finance Highlights

Division Activities

1. Preparing long-range financial plans and developing and administering the annual budget.
2. Establishing and maintaining financial records, inventory of assets, contract control, debt administration, cash and treasury management and fund administration of the Retirement Plans.
3. Developing and administering water rates, including revenue requirements, costs of service and the design of water rates and system development charges.
4. Directing the competitive procurement system.
5. Acting as the disbursing authority for the Manager as well as the custodian of all Denver Water documents and records.

Accomplishments During 2005

1. Maintained financial stability and accountability during the continued drought.
2. Restructured the governance model for the retirement plan.
3. Continued financial automation to gain efficiencies.

Goals for 2006

1. Lead Denver Water in addressing the financial rate setting and accountability initiatives outlined in the Board Resolution adopted September 28, 2005.
2. Provide leadership in alternative rate design evaluation and selection.
3. Implement a new budget system that will integrate long-term and annual budgets.

Regular & Introductory Employees (At End of Year)

Section	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Director	9.0	9.0	9.0	9.0	10.0
Treasury Operations	5.0	5.0	6.0	6.0	6.0
Budget Section	4.0	4.0	5.0	4.0	4.0
Accounting	19.0	19.0	20.0	9.0	19.0
Rate Administration	2.0	2.0	3.0	18.0	2.0
Records & Document Admin	8.0	6.0	8.0	2.0	8.0
Purchasing	8.0	9.0	8.0	6.0	9.0
Total	55.0	54.0	59.0	54.0	58.0

Expenditure History (Thousands of Dollars)

	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Payroll	$ 3,100	3,152	3,329	3,213	3,446
Employee Benefits	14,195	14,483	14,614	14,725	15,236
Materials	404	389	573	419	695
Services	1,541	1,174	1,155	1,030	1,292
Equipment	0	0	0	0	0
Refunds	142	176	102	642	102
Debt Service	70,853	38,146	44,009	44,486	47,137
Other	(527)	(580)	(219)	(83)	(219)
Total	$ 89,708	56,940	63,563	64,432	67,689

Engineering Highlights

Division Activities

1. Design and construct additions and improvements to the potable, raw, and recycled water system. Specific engineering disciplines include: Civil, Structural, Construction, Administration, Electrical, Mechanical, Hydraulic, and Dam Safety.
2. Study, evaluate, and troubleshoot the Engineering aspects of the operating system. Perform engineering related support activities required for the water system including Survey, Dam Safety efforts, geologic evaluations, and material testing services.
3. Perform all services for the potable water distribution (6-12 inch mains) system, except construction by O&M forces. These services include: layout, schedule of work, inspection, plan review for new developments, and preparation and maintenance of the geographically accurate facility database.
4. Purchase and sale of real estate, acquisition of easements for operating facilities, and authorization of License Agreements for all operating and non-operating properties.
5. Provide critical information toward the preparation of various budgeting documents prepared by Denver Water. Activities include: preparation of estimates, scheduling of capital work for the 10-Year Plan and prioritizing projects for the Annual Capital Work Budget.

Accomplishments During 2005

1. Accomplished the design, construction, and engineering evaluations of a large percentage of the projects for the 2005 Work Plan.
2. Completed the design and construction of the recycled water treatment plant and major aspects of the distribution system. Completed several studies and evaluations necessary to continue the build-out of the distribution system and began design and construction of the facilities required to deliver water to Lowry and Stapleton areas in 2007.
3. Advanced or completed a number of purchase and sale agreements on operating and non-operating properties. These include: sale of the Hugh M. Woods site, advancement of expected sale of the Fehringer Ranch, sale of the 10-acre parcel known as Wynetka property, purchase of a parcel from the YMCA to be used for operating facilities related to Moffat Treatment Plant, and sold surplus properties adjacent to the High Line Canal.

Goals for 2006

1. Continue to efficiently manage the Capital Work Plan in the 2006 Budget. The workload for 2006 contains a large number of small to medium size projects required to maintain reliable operation of the potable water system.
2. Complete work activities related to the facility database in the GIS System. Specific tasks includes: completion of the backlog of distribution piping, addition of conduits and appurtenant facilities to the GIS Database, and update facilities in Distributor Contract Service areas.
3. Continue improvements in the efficiency and productivity of several support areas within the Engineering Division. Also, update the Project Procedures Manual and other documents required to continue productivity improvements within the Engineering Division.

Regular & Introductory Employees (At End of Year)

Section	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Director of Engineering	8.6	9.0	9.0	9.0	9.0
Programs and Projects	37.0	37.0	38.0	35.0	37.0
Survey	25.0	24.0	26.0	25.0	26.0
Distribution	37.0	38.0	40.0	38.0	39.0
Construction Management	22.0	22.0	22.0	20.0	21.0
Total	129.6	130.0	135.0	127.0	132.0

Expenditure History (Thousands of Dollars)

	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Payroll	$ 8,320	8,254	8,532	8,406	8,720
Materials	344	436	736	744	590
Services	5,312	4,232	4,061	2,936	3,892
Contract Payments	79,765	27,517	38,621	29,210	49,233
Equipment	5	6	75	0	85
Refunds	19	23	0	3	0
	0	0	0	178	0
Total	$ 93,765	40,468	52,025	41,477	62,520

Planning Highlights

Division Activities

1. Identifying and integrating current and future water supply and facility requirements to satisfy the obligations of Denver Water's combined service area.
2. Managing the daily operations of Denver Water's major raw water facilities.
3. Development of demographic projections and raw and treated water consumption forecasts.
4. Formulating plans for the construction of raw and treated water transmission distribution, pumping and storage facilities.
5. Development of long-range financial plans for future capital facility requirements.

Accomplishments During 2005

1. Continued the efforts to resolve the reliability and vulnerability concerns on the north-end through the combined efforts of Denver Water and the U.S. Army Corps of Engineers on the Moffat Collection System Project Environmental Impact Statement (EIS).
2. Preserved Denver Water's ability to use its water resources by successfully addressing water rights issues, endangered species studies, and other environmental concerns.
3. Coordinated pertinent activities with local, state, and federal agencies including the Federal Regulatory Energy Commission (FERC), the Environmental Protection Agency, Denver Water distributors, west slope interests, and various other outside entities.

Goals for 2006

1. Complete the draft EIS for the Moffat Collection System Project.
2. Acquire an exemption for the Williams Fork Dam Hydroelectric Project from FERC.
3. Complete the majority of work for the 2007 update of Denver Water's Integrated Resource Plan.

Regular & Introductory Employees (At End of Year)*

Section	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Director of Planning	3.0	2.0	4.0	2.0	2.0
Environmental Planning	4.6	5.6	4.6	5.6	5.6
Raw Water Supply	6.0	6.0	6.0	6.0	6.0
Water Rights	7.0	7.0	7.5	7.0	8.5
Raw Water Planning	10.8	10.8	11.0	10.8	11.0
General Planning	4.0	3.0	5.0	4.0	5.0
Hydraulics	7.0	7.0	7.0	7.0	7.0
Total	42.4	41.4	45.1	42.4	45.1

*2006 Budget has not been reduced by expected vacancy savings

Expenditure History (Thousands of Dollars)

	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Payroll	$ 3,042	3,111	3,246	3,108	3,322
Materials	35	71	51	33	55
Services	3,179	2,417	4,094	2,689	3,517
Contract Payments	230	18	96	17	24
Equipment	0	0	0	5	599
Total	$ 6,486	5,617	7,487	5,852	7,517

Operations and Maintenance Highlights

Division Activities

1. Monitoring and developing water quality control methods, diversion and storage of raw water supply.
2. Maintenance and operation of physical plant at various dams, reservoirs, hydro-turbines and water treatment plants.
3. Construction, maintenance and repair of transmission and distribution piping, appurtenances and facilities.
4. Operation of the distribution system and supervision of process control.
5. Coordination of Denver Water Safety and Security, Environmental Compliance Programs and Warehousing functions.

Accomplishments During 2005

1. Reorganized the Process Control & Instrumentation Section for standardized reporting and better accountability.
2. Completed Distribution System modifications at DIA which enabled us to suspend continuous flushing there.
3. Updated all emergency response plans and conducted a table top drill to test them.

Goals for 2006

1. Finalize & begin implementation of the O&M Strategic Plan (Developed in 2005).
2. Increase distribution system reliability and continue water treatment plant optimization including compliance with new EPA rules.
3. Continue Security refinements and participation in planning exercises with other local and state agencies.

Regular & Introductory Employees (At End of Year)*

Section	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Plant Office	4.0	4.0	4.0	4.0	4.0
Water Quality and Compliance	31.0	31.8	31.8	31.8	32.8
Safety & Loss Control	12.0	15.0	13.0	14.0	15.0
Source of Supply	59.0	56.0	63.0	59.0	63.0
Water Treatment	79.0	83.0	88.0	88.0	95.0
Water Control	59.0	57.0	62.0	57.0	61.0
Transmission & Distribution	158.0	157.0	175.0	156.0	167.0
Instrumentation & Control	21.0	19.0	22.0	7.0	8.0
Maintenance and Warehouse	129.0	131.0	134.0	123.0	134.0
Total	552.0	553.8	592.8	539.8	579.8

*2006 Budget has not been reduced by expected vacancy savings

Expenditure History (Thousands of Dollars)

		2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Payroll	$	28,384	30,063	31,396	30,030	31,121
Materials		10,619	11,476	11,566	13,254	13,544
Services		11,993	15,406	13,166	16,433	13,995
Contract Payments		27	0	0	2	0
Equipment		1,310	2,706	2,944	1,532	1,906
Refunds		1	1	0	3	0
Other		0	0	0	(70)	0
Total	$	52,334	59,652	59,072	61,184	60,566

Divisional Reconciliation to Summary Totals

The following table reconciles the Divisional Summary totals for each year to the total expenditures shown elsewhere in this document.

Expenditure History (Thousands of Dollars)

Division Name		2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Manager & Staff	$	31,680	33,791	22,503	23,192	25,308
Public Affairs		29,455	17,546	15,764	13,108	15,788
Legal		1,525	1,847	2,011	1,657	2,281
Finance		89,708	56,940	63,563	64,432	67,689
Engineering		93,765	40,468	52,025	41,477	62,520
Planning		6,486	5,617	7,487	5,852	7,517
Operations & Maintenance.		52,334	59,652	59,072	61,184	60,566
Information Technology		N/A	N/A	17,676	14,213	20,047
Adjustments:						
Warehouse Purchases and Issues[1]		(459)	(95)	877	195	(16)
Cash Flow[2]		1,346	(35)	2	0	0
Historical Timing Adjustment		0	0	0	793	0
Additional Vacancy Savings		0	0	(600)	0	0
Total Expenditures	$	305,840	215,731	240,380	226,103	261,700

(1) Adjustments related to the timing of purchases and issues of warehouse stock. Denver Water maintains a warehousing operation that purchases materials and supplies into stock. These items are then issued and charged to jobs as needed. The Warehouse Purchases and Issues Adjustment is required to insure that the total of materials as issued balances to the amount of purchases made for warehouse stock.

(2) The Cash Flow Adjustment is the difference between expenditures as booked and disbursed. Expenditures are budgeted and reported on a modified accrual basis (as booked). Total expenditures are then converted to a cash basis (disbursed) for purposes of determining year-end designated balances.

	DENVER WATER KEY PERFORMANCE MEASURES	Current Denver Water Goal	ACTUAL 2004	ACTUAL 2003	ACTUAL 2002	ACTUAL 2001	ACTUAL 2000	ACTUAL 1999	Div Resp For Performance
I.	**Provide Customers with High Quality Water**								
	E=External; I=Internal								
	A. Unfavorable quality:								
E	1. Smell-taste-# of customer complaints per qtr	< 36	66	90	125	78	55	37	O&M
E	2. Clarity - # of customer complaints per quarter	< 36	221	166	15	75	19	47	O&M
E	3. Hardness-# of customer complaints per quarter	< 30	1	0	1	1	1	17	O&M
	B. Meet or exceed key DW standards								
I	1a. Turbidity - Foothills	< .1 NTU	0.05	0.05	0.04	0.04	0.04	0.04	O&M
I	1b. Turbidity - Marston	< .1 NTU	0.06	0.06	0.06	0.04	0.06	0.08	O&M
I	1c. Turbidity - Moffat	< .1 NTU	0.04	0.05	0.05	0.05	0.06	0.06	O&M
I	2a. Fluoride - Foothills	.8 - 1.2mg/1	0.87	0.89	0.82	0.85	0.87	0.89	O&M
I	2b. Fluoride - Marston	.8 - 1.2mg/1	0.86	0.88	0.87	0.88	0.90	0.91	O&M
I	2c. Fluoride - Moffat	.8 - 1.2mg/1	0.91	0.91	0.83	0.80	0.89	0.85	O&M
I	3a. Chlorine Residual- Foothills	1.1 - 1.5mg/1	1.53	1.52	1.54	1.43	1.48	1.44	O&M
I	3b. Chlorine Residual- Marston	1.1 - 1.5mg/1	1.56	1.44	1.54	1.51	1.49	1.41	O&M
I	3c. Chlorine Residual- Moffat	1.1 - 1.5mg/1	1.53	1.53	1.45	1.56	1.58	1.41	O&M
I	4a. pH - Foothills	7.5 - 8.0	7.8	7.8	7.8	7.8	7.8	7.8	O&M
I	4b. pH - Marston	7.5 - 8.0	7.7	7.7	7.7	7.7	7.8	7.9	O&M
I	4c. pH - Moffat	7.5 - 8.0	7.8	7.8	7.8	7.8	7.8	7.8	O&M
II.	**Provide Customers With Excellent Service**								
	A. Positive customer contact								
E	Per customer service rep contact:								
	1. Length of time to answer phones	< 30 sec	133 Seconds	272 Seconds	112 Seconds	59 Seconds	76 Seconds	49 Seconds	PUB
E	2. Length of time for problem-query solution, requiring field ck.	< 48 hrs	42 Hours	42 Hours	42 Hours	42 Hours	42 Hours	42 Hours	PUB
E	3. Customer Satisfaction Survey Index Level (4.0 = Best)[1]	= or < 3.0	3.5	3.6	3.5	3.3	3.4	3.6	PUB
	B. Reliable service								
E	1. Outages-average DW response time	< 20 mins.	27 Minutes	<22 minutes	<20 minutes	25 Minutes	24 Minutes	24 Minutes	O&M
E	2. Disruptions-# of unplanned disruptions(main breaks)	208 Average		231	287	261	243	195	O&M
E	3. Disruptions - Avg time of duration	< 4 hours	4.2 Hours	7.0 Hours	7.0 Hours	7.0 Hours	6.5 Hours	7.5 Hours	O&M
E	4. # days involuntary restrictions (any part of day=1 day)	0	0	273	0	0	0	0	PLN
E	5. # Pressure Complaints per month	< 30	23	25	18	19	23	17	PUB
	C. Treatment Plant Utilization								
I	1.Foothills(base load) % production to total water treated	65%	64.0%	59.5%	68.7%	57.0%	64.6%	75.5%	O&M & PLN
I	2.Marston(peak load) % production to total water treated	15%	22.5%	21.2%	7.6%	19.1%	17.5%	11.5%	O&M & PLN
I	3.Moffat(peak load) % production to total water treated	20%	13.5%	19.3%	23.7%	23.9%	17.9%	13.0%	O&M & PLN
	D. Transmission & Distribution Inside Denver & Total Service:								
I	1. # main breaks per x miles of pipe per year	<1 break per 10 miles pipe/yr.	11.9	11.1	8.9	9.6	10.2	12.6	ENG,PLN,O&M
I	2. Ratio peak day to avg day delivery (10yr. Rolling Avg.)	2.5 rolling average	2.03	2.03	2.03	2.2	2.09	2.31	PLN
	F. System Wide:								
I	1. Unaccounted for water % of total total water delivered	5.0% (National Avg=0%)	1.4%	2.7%	3.5%	4.4%	2.9%	5.3%	ENG,PLN,O&M
III.	**Exercise responsible stewardship of assets**								
	A. Facilities maintained properly								
I	1. Emergency Hrs. as % Preventative Maint Hours[2]	8%	9.0%	9.0%	9.6%	10.5%	11.0%	13.0%	O&M
I	2.% O&M Div Overtime Hrs. to Total O&M Div. Hrs.	< 3%	4.3%	3.5%	6.3%	6.1%	5.5%	5.7%	O&M
E	3. % of fire hydrants in service	99.90%	99.5%	99.5%	99.5%	99.5%	99.2%	99.2%	O&M
	B. Conservation								
E/I	1. Avg. Conservation Dollars spent to Acre Feet Saved	< $5,000 per acre foot saved	(03-04)$1611	(02-03)$1613	(01-02)$1822	(00-01)$1553	('99-00)$1494	('97-98)$1584	PUB

	DENVER WATER KEY PERFORMANCE MEASURES	Current Denver Water Goal	ACTUAL 2004	ACTUAL 2003	ACTUAL 2002	ACTUAL 2001	ACTUAL 2000	ACTUAL 1999	Div Resp For Performance
III.	**Exercise responsible stewardship (cont.)**								
	C. Workforce is productive/effective								
I	1.Retail Population served per core employee(O&M div)	1,307 Average	1,399	1,489	Not available	1,494	1,390	1,379	O&M
I	2.% Supervisors & Managers Attending 1+Training Classes	100%	83.5%	84.0%	72.0%	73.0%	74.0%	68.0%	ALL DIVS
I	3. % Non-Supv, Non-Mgr Attending 1or more Training Classes	75%	81.0%	82.0%	66.0%	65.2%	61.0%	63.0%	ALL DIVS
I	4. # lost time days due to injury per per year	not >75 days	129	122.5	138	136	165	127	ALL DIVS
I	5. At fault vehicle accidents/million miles driven	not >12	8	9	3	21	27	18	ALL DIVS
I	6. Gross Turnover Rate,incl. Retirements	5-8%	6.7%	5.5%	4.3%	7.3%	7.2%	7.3%	ALL DIVS
	D. Operations are efficient								
I	1. O&M Costs(incl.S.O.S) per (000)/Gal treated Water delivered	$0.86 Average	$1.72	$1.57	$1.57	$1.07	$0.98	$1.04	ALL DIVS
I	2. O&M Costs(exclS.O.S) per (000)/Gal treated Water delivered	$0.79 Average	$1.58	$1.42	$1.43	$0.97	$0.90	$0.98	ALL DIVS
I	3. Total operating expenses per connection	$236.58 Average	$356.94	$345.92	$325.80	$313.32	$303.81	$293.62	ALL DIVS
I	4. Salaries as % operating revenue	40% Average	40.0%	40.0%	39.0%	35.0%	33.0%	38.0%	ALL DIVS
I	5. Water Qual Cost per (000)/gal treated water delivered	$0.02 current year	$0.026	$0.023	$0.020	$0.020	$0.016	$0.018	ALL DIVS
I	6. Water Quality tests performed	50,393.40 Average	34,245	31,060	39,859	34,035	41,846	57,661	O&M
I	7. % of water quality tests performed to of % tests required	100%	100%	100%	100%	100%	100%	100%	O&M
I	8. Average annual regular pay per employee	DW step 5 approx. equal	$50,385	$49,139	$50,673	$47,822	$46,130	$45,046	ALL DIVS
I	9. Comparable Benefits Per Annual Survey	Approx.= to Survey Avg							ALL DIVS
	a. Denver Water		63.5%	59.1%	52.2%	48.2%	48.2%	49.3%	ALL DIVS
	b. Survey - Utilities, nationwide		51.3%	56.6%	44.6%	45.6%	45.9%	43.6%	ALL DIVS
	E. Financial Stewardship								
	1. Optimal use of financial assets:								
E/I	a) Credit rating [3]	AA	AA+	AA+	AA+	AA+	AA+	AA+	FIN
I	d) Interest Coverage	> or = 2.5x	4.46	4.45	4.3	5.0	4.4	4.1	FIN
IV.	**Exercise creative stewardship of assets**								
	A. Work force is creative								
I	1.% regular employees submitting suggestions per year	10%	3%	2%	3%	3%	3%	3%	ALL DIVS
I	2. % suggestions awarded for possible cost savings	15%	0%	0%	3%	3%	3%	4%	ALL DIVS

Denver Water's performance measures are taken from its Mission Statement. Each of the four goals expressed in the Mission Statement was identified (shown in bold with roman numerals). Key measures were then developed from the perspective of external (customers, media, other than Denver Water) and internal (Denver Water managers, supervisors, employees) to measure how well the goals were being met.

FOOTNOTES:

[1] Comprised of referral calls to supervisor, average hold time, mail surveys, and payment goals met

[2] 1999 higher due to break in Cond. 55

[3] For 2003 and after this is the underlying S & P rating on revenue bonds; prior to 2003 the rating is for general obligation bonds.

DIVISION RESPONSIBLE:
ENG = Engineering Division
FIN = Finance Division
LGL = Legal Division
MGR(HR) = Human Resources Section
MGR = Manager and Staff Division
O&M = Operations and Maintenance Division
PLN = Planning Division
PUB = Public Affairs Division
ALL DIVS = All Divisions

Section 6 – Debt Service and Obligations under Capital Leases

Debt Policy

During 2006 the Board will again review its use of debt. The last such comprehensive review was done in 2002 and resulted in a change to Section 10.1.15 of the City Charter. That change removed the Board's ability to issue general obligation bonds on the credit of the City and enabled the Board to issue revenue bonds without voter approval of each issue. Prior to the change in the Charter, voter approval was required for the sale of revenue bonds. Such a comprehensive change is not anticipated to result from this review. Rather, the Board will examine its prior practice of issuing only fixed rate obligations, and look at its capital structure to see whether restructuring is expected to add value.

Current debt guidelines include the Board's long-standing policy of using debt financing for system expansion and improvements and prohibiting its use for payment of operating and maintenance expenses. This underlying philosophy is not expected to change. Reliance on revenue bonds as a financing mechanism is not expected to change, but alternatives such as capital leases and tax-advantaged structures will continue to be examined for specific projects when appropriate.

The Board has financed some capital improvements with capital leases from time to time. For example, certain improvements at the Marston and Moffat Treatment plants were financed with capital leases as was capacity in the Wolford Mountain Reservoir. The treatment plant leases were securitized using a certificate of participation structure.[1]

Outstanding Bonds and Obligations under Capital Leases

The table below summarizes information about the outstanding issues as of December 31, 2005. A schedule of outstanding bonds and obligations under capital leases appears on pages 98-99.

Type of Obligation	Par Value Outstanding (in millions)	Coupon Range	Weighted Average Coupon	Weighted Average YTM[(a)]
Bonds				
General Obligation Bonds	$ 100.3	2.50 - 6.00%	4.825%	4.254%
Revenue Bonds	191.1	2.50 - 5.50%	4.591%	3.705%
Sub-total bonds	$ 291.4		4.672%	3.894%
Capital Leases				
Marston & Moffat	$ 49.8[(b)]	4.00 – 5.50%	4.677%	4.269%
Wolford Mountain	27.5[(b)]	6.75%[(c)]	6.750%[(c)]	6.750%[(c)]
Sub-total leases	$ 77.3		5.414%	5.152%
Total outstanding bonds and capital lease obligations	$ 368.7		4.828%	4.184%

[(a)]Yield to Matruity at time of sale
[(b)]Present value of future obligation for financial reporting purposes
[(c)]Contractual rate

1 A certificate of participation is a bond-like security that represents the right to receive a defined amount of rental revenue from a specified lease agreement. Legally, each year the Board decides whether to allocate funds for the lease payments. The annual nature of the lease obligation means that credit rating agencies and certificate holders must evaluate both the importance of the leased facility to the Board's operations and the credit history of the Board.

Payment Schedule

The Board's debt guidelines provide that the year-end balance in the liquidity portfolio of the water works fund should exceed the amount needed to service its outstanding debt and meet all obligations under capital leases during the following year by at least $5 million. The Board has been in compliance with this guideline each year since it was first adopted in 1995.

The total principal and interest payment obligations for the years 2006-2010 are as follows:

2006	$45.54 million
2007	48.75 million
2008	45.56 million
2009	45.31 million
2010	44.72 million

With the current payment schedule, 42% of the principal amount of outstanding bonds and capital lease obligations will be retired by the end of 2010; approximately 70% will be retired by the end of 2015 and 86% will be retired by the end of 2020. All marketable securities mature or may be called prior to December 31, 2015. The final stated maturity of all outstanding bonds and capital lease obligations occurs on October 1, 2029.

Denver Water Debt Guidelines

as adopted by the Board on May 28, 2003 - Item V-G-4

Denver Water will use the following guidelines to evaluate when and how to use debt financing in the future.

1. Debt proceeds may not be used to pay operating and maintenance expenditures.
2. Debt may be used only for refunding current maturities of existing debt (called current refundings), refunding future maturities of existing debt (called advance refundings) and for capital improvements.
3. Current refundings will be structured so that the final maturity of the debt does not exceed the useful life of the asset. In addition, refundings will be structured to facilitate an orderly and regular retirement of debt and to comply with statutory regulations while taking advantage of favorable market conditions.
4. Advance refundings will be considered when the net present value savings on the bonds being refunded is greater than 3.0% and the refunding is permitted by existing statutory regulations; or if extraordinary circumstances exist, when the net present value of savings is sufficient to satisfy existing statutory regulations.
5. Capital improvements of a normal, recurring nature and amount will generally not be financed with debt. Rather, this type of improvement will be included in the calculation of the revenue requirement from rates. This will result in routine capital expenditures being financed internally on a "pay-as-you-go" basis.

6. Non-recurring capital projects that expand the system or that are otherwise unusual in nature or amount may be financed externally. Because capital outlays for projects of this type are often made in advance of growth in demand, repayment of debt used to finance such projects may be deferred until revenues begin to be collected.
7. As there is a limited pool of resources, whether from internal sources or from debt, each proposed capital improvement will be assessed within the context of how it impacts the reliability and integrity of the total system and whether it is consistent with Denver Water's mission and long-term goals. During the capital planning and budgeting process, projects will be ranked to determine which ones are most essential to meet the Board's overall objectives. Projects that are ranked highest will then be reviewed with respect to appropriateness for external financing. An assessment of the impact on Denver Water's bond rating, given the availability and cost of external financing, will be made prior to final approval of the proposed projects for inclusion in the budget and capital plan.
8. Denver Water's Treasury section will monitor the marketplace and stay abreast of new types of financing instruments and sources of funds. In evaluating the appropriateness of various financing sources for specific projects, Denver Water will consider the expected life of the asset, the nature of covenants, the impact on the organization's future financial flexibility, the amount of uncertainty and market risk associated with the type of financing being considered, the current regulatory and economic environment and whether revenue and expense projections indicate that Denver Water will be able to support the projected level of debt.
9. Denver Water desires to maintain its stand-alone revenue bond rating at a level of AA or better. After consulting with the rating agencies, Denver Water understands that maintaining its actual and historical level of debt service coverage rate of 2.2x or better will be important to maintaining the rating. Merely meeting the covenants contained in the bond resolution is not expected to be adequate. For that reason, the following, more stringent guidelines will be used in financial planning activities:
    a. The Debt Ratio should not exceed 40%.
    b. Interest Coverage (excluding SDCs) should be equal to or greater than 2.5x
    c. Debt Service Coverage should be equal to or greater than 2.2x, as defined in the bond resolution.
    d. The year-end balance in the Water Works Fund, net of Principal and Interest Requirements for the next 12 months, should be equal to or greater than $5 million.

** Note: These guidelines are currently under review.*

Calculations (For definitions of terms used below, see Section 8)

Debt Ratio - Total Debt divided by the sum of net fixed assets plus net working capital.

Debt Service Coverage - Net Revenues divided by scheduled principal and interest payments, before any refunding, for the same 12 month period.

Interest Coverage - Net Revenues divided by Interest Requirements.

Denver Water
Schedule of Outstanding Bonds and Obligations Under Capital Leases

BONDS

General Obligation Bonds

	Par amount of outstanding bonds	Coupon Rate
Series 1996 - Callable on 10/1/06 @ 100.0		
10/1/06	1,245,000.00	5.000%
10/1/07	120,000.00	5.100%
10/1/08	135,000.00	5.200%
10/1/09	140,000.00	5.300%
10/1/10	145,000.00	5.375%
10/1/11	155,000.00	5.375%
Series 1997 - Callable on 10/1/07 @ 100.0		
10/1/06	1,400,000.00	4.650%
10/1/07	1,550,000.00	5.500%
10/1/08	275,000.00	4.800%
10/1/09	325,000.00	4.900%
10/1/10	405,000.00	5.050%
10/1/11	460,000.00	5.100%
10/1/12	475,000.00	5.150%
Series 1999 - Callable on 10/1/13 @ 100.0		
10/1/10	1,820,000.00	6.000%
10/1/11	660,000.00	5.500%
10/1/13	500,000.00	5.500%
10/1/29	11,550,000.00	5.600%
Series 2000 - Callable on 10/1/11 @ 100.0		
10/1/11	2,290,000.00	5.500%
10/1/12	225,000.00	4.800%
10/1/13	230,000.00	4.875%
10/1/14	245,000.00	5.000%
10/1/15	255,000.00	5.000%
Series 2001A - Callable on 9/1/11 @ 100.0		
9/1/06	645,000.00	4.000%
9/1/07	670,000.00	4.000%
9/1/08	700,000.00	4.000%
9/1/09	730,000.00	4.000%
9/1/10	760,000.00	4.125%
9/1/11	795,000.00	4.200%
9/1/12	830,000.00	4.300%
9/1/13	700,000.00	4.400%
9/1/14	900,000.00	4.500%
9/1/15	980,000.00	4.600%
9/1/16	900,000.00	4.700%
Series 2001B - Not subject to optional redemption prior to maturity		
9/1/06	9,615,000.00	5.000%
9/1/07	20,145,000.00	5.000%
9/1/08	17,655,000.00	5.000%
9/1/09	10,340,000.00	4.000%

Revenue Bonds

	Par amount of outstanding bonds	Coupon Rate
Series 2003A - Callable on 6/1/13 @ 100.0		
12/1/06	100,000.00	4.000%
12/1/07	100,000.00	4.000%
12/1/08	100,000.00	4.000%
12/1/09	100,000.00	2.500%
12/1/10	100,000.00	2.750%
12/1/11	200,000.00	3.000%
12/1/12	1,000,000.00	5.000%
12/1/13	1,145,000.00	5.000%
12/1/14	1,540,000.00	3.500%
12/1/15	1,550,000.00	3.500%
12/1/16	2,110,000.00	4.000%
12/1/17	3,570,000.00	4.750%
12/1/18	3,885,000.00	4.750%
12/1/19	4,110,000.00	4.750%
12/1/20	6,160,000.00	4.750%
12/1/21	7,355,000.00	4.750%
12/1/22	7,720,000.00	4.750%
12/1/23	8,955,000.00	4.250%
Series 2003B - Callable on 6/1/13 @ 100.0		
12/1/06	6,680,000.00	3.000%
12/1/07	100,000.00	2.500%
12/1/08	100,000.00	5.000%
12/1/09	7,830,000.00	5.000%
12/1/10	10,725,000.00	5.000%
12/1/11	400,000.00	3.750%
12/1/12	5,150,000.00	4.000%
12/1/13	8,025,000.00	4.000%
12/1/14	8,400,000.00	5.000%
12/1/15	8,825,000.00	5.000%
12/1/16	11,860,000.00	5.000%
Series 2004 - Callable on 12/01/2014 @100.0		
12/1/06	485,000.00	5.000%
12/1/07	1,540,000.00	3.000%
12/1/08	3,015,000.00	5.000%
12/1/09	3,320,000.00	5.000%
12/1/10	9,285,000.00	5.500%
12/1/11	4,215,000.00	5.500%
12/1/12	5,045,000.00	5.000%
12/1/13	2,755,000.00	5.000%
12/1/14	2,900,000.00	5.000%
12/1/15	3,050,000.00	5.000%
12/1/16	705,000.00	4.250%
12/1/17	735,000.00	4.500%
12/1/18	770,000.00	4.500%
12/1/19	805,000.00	4.500%
12/1/20	840,000.00	4.500%
12/1/21	875,000.00	4.125%
12/1/22	915,000.00	4.125%
12/1/23	950,000.00	4.250%
12/1/24	990,000.00	4.300%

	Par amount of outstanding bonds	Coupon Rate
General Obligation Bonds		
Series 2002 - Callable on 10/1/12 @ 100.0		
10/1/06	440,000.00	2.500%
10/1/07	450,000.00	2.750%
10/1/08	465,000.00	3.000%
10/1/09	485,000.00	3.125%
10/1/10	500,000.00	3.250%
10/1/11	520,000.00	3.500%
10/1/12	540,000.00	3.500%
10/1/13	565,000.00	3.500%
10/1/14	590,000.00	3.700%
10/1/15	615,000.00	3.875%
10/1/16	640,000.00	4.000%
10/1/17	670,000.00	4.000%
10/1/18	525,000.00	4.100%
10/1/19	515,000.00	4.200%
10/1/20	190,000.00	4.300%
10/1/21	810,000.00	4.400%
10/1/22	850,000.00	4.500%
GO Bonds	**100,340,000.00**	

	Par amount of outstanding bonds	Coupon Rate
Revenue Bonds		
Series 2005 - Callable on 12/01/2015@100.0		
12/1/06	985,000.00	3.250%
12/1/07	1,020,000.00	3.250%
12/1/08	1,055,000.00	3.250%
12/1/09	1,095,000.00	3.250%
12/1/10	1,130,000.00	3.250%
12/1/11	1,170,000.00	3.500%
12/1/12	1,215,000.00	3.500%
12/1/13	1,260,000.00	3.625%
12/1/14	1,325,000.00	3.750%
12/1/15	1,390,000.00	4.000%
12/1/16	1,460,000.00	5.000%
12/1/17	1,530,000.00	5.250%
12/1/18	1,610,000.00	4.000%
12/1/19	1,690,000.00	4.250%
12/1/20	1,775,000.00	4.250%
12/1/21	1,860,000.00	4.000%
12/1/22	1,955,000.00	5.000%
12/1/23	2,055,000.00	5.000%
12/1/24	2,155,000.00	4.250%
12/1/25	2,265,000.00	4.250%
Revenue Bonds	**191,090,000.00**	

CAPITAL LEASES

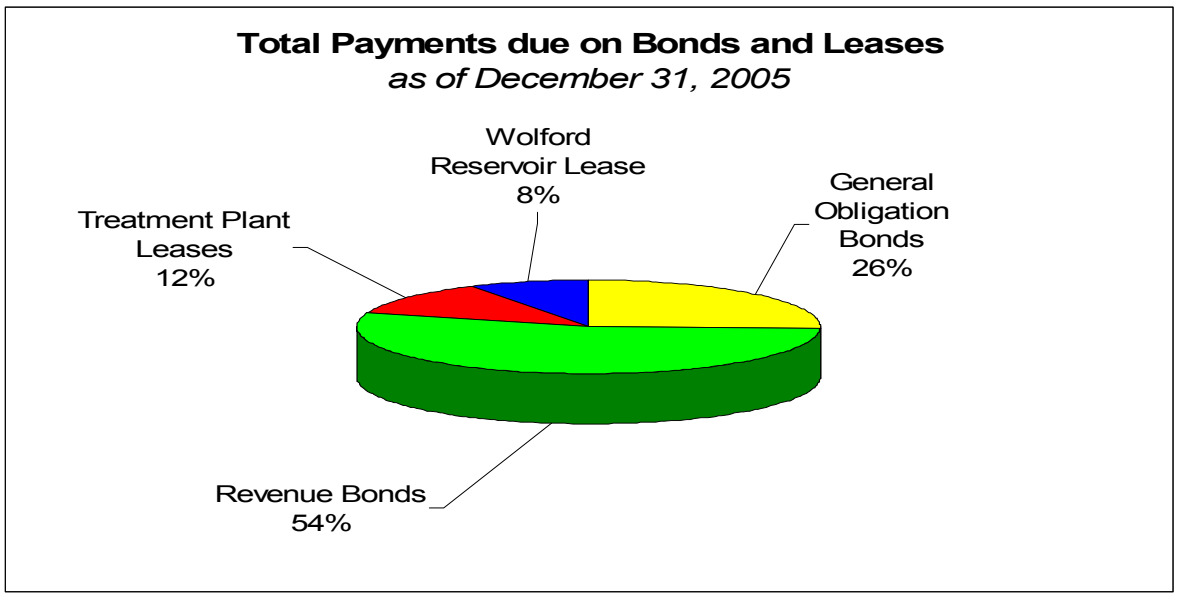
	Par amount outstanding of outstanding certificates	Coupon Rate
Marston & Moffat Treatment Plant Leases		
1998 Lease - certificates non callable		
11/15/06	2,340,000.00	4.150%
11/15/07	2,450,000.00	4.200%
11/15/08	4,230,000.00	4.250%
11/15/09	4,430,000.00	4.300%
11/15/10	4,605,000.00	4.400%
11/15/11	750,000.00	5.000%
2001 Lease - certificates callable on 11/15/11at par		
11/15/06	2,665,000.00	4.500%
11/15/07	2,785,000.00	5.000%
11/15/08	1,480,000.00	4.000%
11/15/09	1,540,000.00	4.000%
11/15/10	1,600,000.00	4.125%
11/15/11	11,255,000.00	5.500%
11/15/12	1,760,000.00	4.375%
11/15/13	1,835,000.00	4.500%
11/15/14	1,920,000.00	4.500%
11/15/15	2,005,000.00	5.000%
11/15/16	2,105,000.00	5.000%
Certificates	**49,755,000.00**	

	Annual principal portion of lease payment	Discount rate
Wolford Mountain Lease		
Lease not subject to prepayment		
2006	1,165,034.24	6.750%
2007	1,245,001.10	6.750%
2008	1,330,456.61	6.750%
2009	1,421,778.11	6.750%
2010	1,519,367.63	6.750%
2011	1,623,655.60	6.750%
2012	1,735,101.80	6.750%
2013	1,854,197.56	6.750%
2014	1,981,467.94	6.750%
2015	2,117,474.04	6.750%
2016	2,262,815.48	6.750%
2017	2,418,133.02	6.750%
2018	2,584,111.40	6.750%
2019	2,761,482.39	6.750%
2020	1,451,025.90	
Wolford	**27,471,102.82**	

Schedule of Payments Due on Outstanding Bonds and Obligations Under Capital Leases

(Thousands of Dollars)

	2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2029	Total
Principal										
Bonds										
General Obligation	13,345	22,935	19,230	12,020	3,630	12,530	3,440	1,660	11,550	100,340
Revenue	8,250	2,760	4,270	12,345	21,240	60,560	43,615	38,050	-	191,090
Sub-total bonds	21,595	25,695	23,500	24,365	24,870	73,090	47,055	39,710	11,550	291,430
Capital Leases										
Treatment Plants	5,005	5,235	5,710	5,970	6,205	19,525	2,105	-	-	49,755
Wolford Mountain	1,165	1,245	1,330	1,422	1,519	9,312	11,478	-	-	27,471
Sub-total leases	6,170	6,480	7,040	7,392	7,724	28,837	13,583	-	-	77,226
Total Principal	***27,765***	***32,175***	***30,540***	***31,757***	***32,594***	***101,927***	***60,638***	***39,710***	***11,550***	***368,656***
as Percentage of total	7.5%	8.7%	8.3%	8.6%	8.8%	27.6%	16.4%	10.8%	3.1%	100.0%
Cumulative %	7.5%	16.3%	24.5%	33.2%	42.0%	69.6%	86.1%	96.9%	100.0%	
Interest										
Bonds										
General Obligation	4,842	4,197	3,059	2,114	1,633	5,733	3,917	3,346	2,587	31,428
Revenue	8,773	8,512	8,427	8,233	7,637	28,134	14,020	4,053	-	87,789
Sub-total bonds	13,615	12,709	11,486	10,347	9,270	33,867	17,937	7,399	2,587	119,217
Capital Leases										
Treatment Plants	2,327	2,110	1,868	1,629	1,376	2,431	105	-	-	11,846
Wolford Mountain	1,835	1,755	1,670	1,578	1,481	5,688	2,022	-	-	16,029
Sub-total leases	4,162	3,865	3,538	3,207	2,857	8,119	2,127	-	-	27,875
Total Interest	***17,777***	***16,574***	***15,024***	***13,554***	***12,127***	***41,986***	***20,064***	***7,399***	***2,587***	***147,092***
Total Scheduled Payments										
Bonds										
General Obligation	18,187	27,132	22,289	14,134	5,263	18,263	7,357	5,006	14,137	131,768
Revenue	17,023	11,272	12,697	20,578	28,877	88,694	57,635	42,103	-	278,879
Sub-total bonds	35,210	38,404	34,986	34,712	34,140	106,957	64,992	47,109	14,137	410,647
Capital Leases										
Treatment Plants	7,332	7,345	7,578	7,599	7,581	21,956	2,210	-	-	61,601
Wolford Mountain	3,000	3,000	3,000	3,000	3,000	15,000	13,500	-	-	43,500
Sub-total leases	10,332	10,345	10,578	10,599	10,581	36,956	15,710	-	-	105,101
Total Payments	***45,542***	***48,749***	***45,564***	***45,311***	***44,721***	***143,913***	***80,702***	***47,109***	***14,137***	***515,748***



The Board expects that the percentage of bonds that are water revenue bonds will increase as the general obligations mature or are refunded.

Section 7 - Investment Balance

Investment Balance Summary

Denver Water began 2006 with an actual Investment Balance of $ 159.3 million. The 2006 budget projects this balance to increase by receipts of $252.6 million and decrease by expenditures of $261.7 million, resulting in a total 2006 Ending Balance of $150.2 million. Historically Denver Water has allocated the Investmend Balance as follows, but this investment allocation will be reviewed in 2006.

1. Three months of the next year's operation and maintenance.
2. 50% of the next year's non-expansion capital (normal replacements and improvements).
3. One year of debt service.
4. Self-Insurance at 5% of the next year's operating receipts.
5. Temporary drought and tap surcharges to encourage water conservation during drought conditions.
6. The remainder to Future Capital.

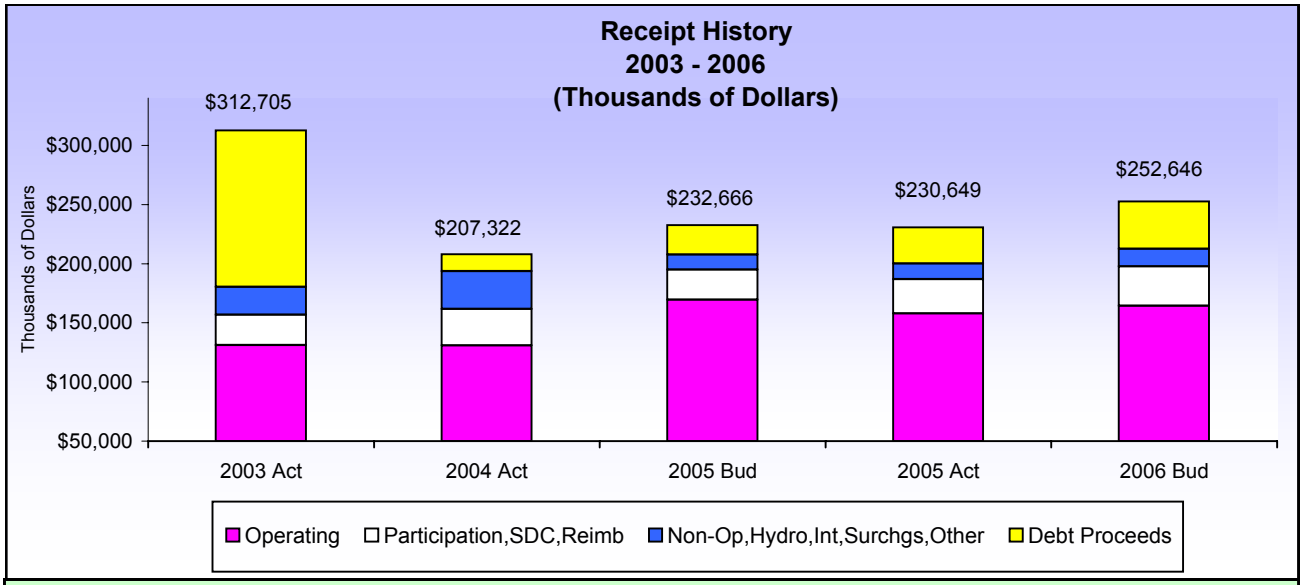
Investment Balance
2003 - 2006
(Thousands of dollars)

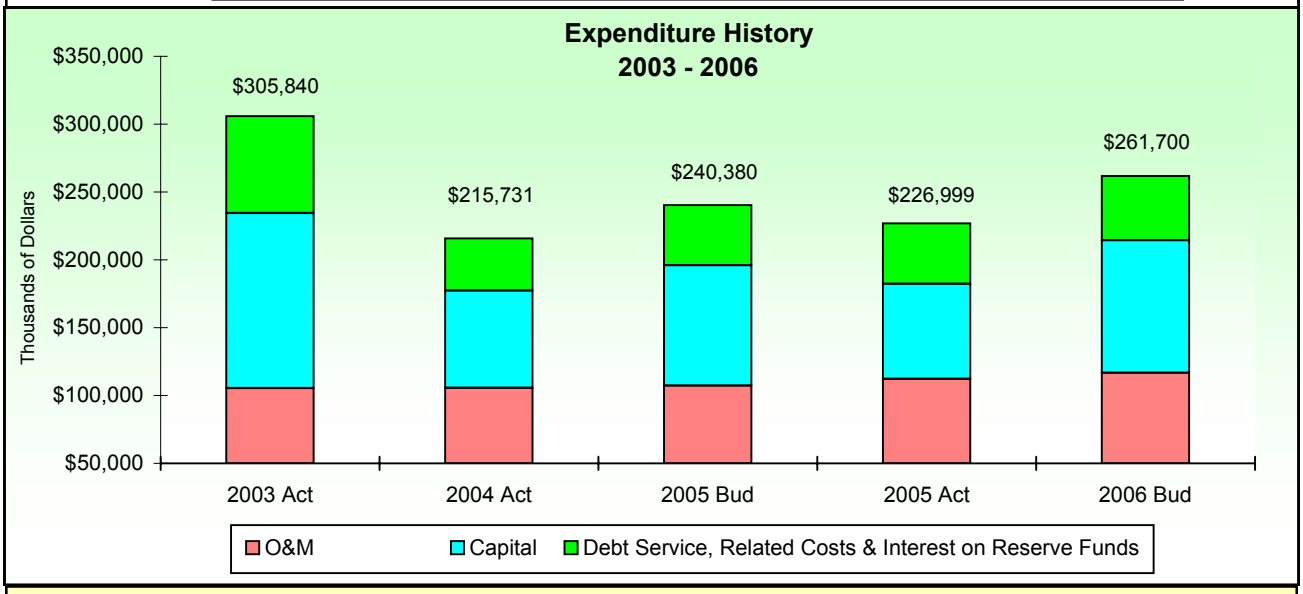
	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Operation & Maintenance (3 months)*	$ 28,611	$ 29,669	$ 33,272	$ 32,190	$ 33,272
Non-expansion Capital (50% of normal replacements and improvements)*	14,504	16,976	18,236	17,571	18,236
Debt Service (1 year)*	38,146	44,428	62,020	47,398	62,020
Self Insurance (5% of Operating Receipts)*	7,873	8,475	9,120	8,217	9,120
Drought & Fire Related	11,923	13,620	(2,657)	68	0
Future Capital:					
Supply	50,382	13,990	5,508	16,593	7,037
Water Treatment	8,997	3,368	590	2,886	188
Transmission & Distribution	600	8,549	3,737	16,593	2,157
Other	2,369	15,921	17,456	17,760	18,192
Total Investment Balance	$ 163,405	$ 154,996	$ 147,282	$ 159,276	$ 150,222

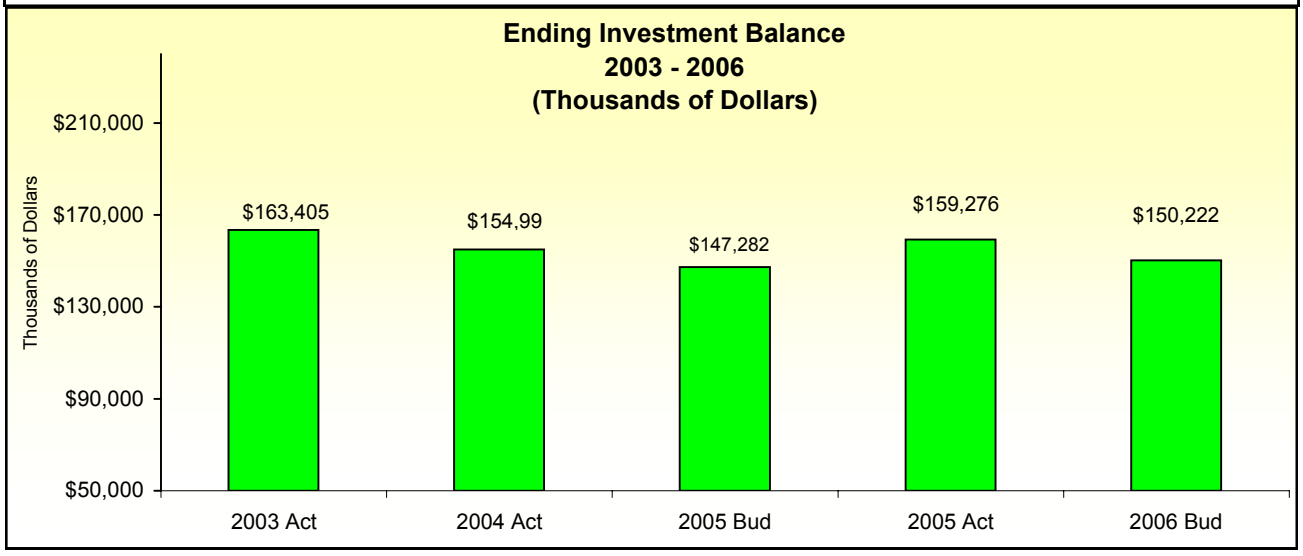
* Allocation of Investment Balance each year is based on expenses for the following year

Comparison of Receipts and Expenditures
2003 - 2006
(Thousands of Dollars)

	2003 Actual	2004 Actual	2005 Budget	2005 Actual	2006 Budget
Beginning Investment Balance	$ 156,540	$ 163,405	$ 154,996	$ 155,626	$ 159,276
Receipts:					
Operating	$ 131,038	$ 130,838	$ 169,492	$ 157,902	$ 164,333
Drought Surcharge	8,001	14,058	0	68	0
Drought Surcharge Rebate	0	(1,633)	(2,657)	0	0
Non-Operating	3,154	2,598	2,974	2,794	2,846
Hydropower	1,402	1,188	1,816	2,942	1,827
System Development Charges	19,649	24,917	22,586	26,280	25,654
Tap Surcharge	1,641	1,195	0	0	0
Participation	2,835	2,241	2,593	1,850	4,978
Reimbursements & Grants	3,420	3,646	450	762	2,705
Interest on Investments	4,879	3,164	4,234	3,577	5,490
Other	4,248	10,810	6,178	3,974	4,813
Subtotal Receipts	$ 180,267	$ 193,022	$ 207,666	$ 200,149	$ 212,646
Debt Proceeds	132,438	14,300	25,000	30,500	40,000
Total Receipts	$ 312,705	$ 207,322	$ 232,666	$ 230,649	$ 252,646
Expenditures:					
Operation & Maintenance Programs:					
Raw Water	$ 15,603	$ 15,051	$ 17,194	$ 16,597	$ 17,341
Recycled Water	1,153	3,479	4,092	4,455	4,616
Water Treatment	20,369	21,720	23,330	24,508	25,959
Delivery	25,237	31,840	27,280	35,854	33,522
Conservation	16,837	7,600	7,380	3,653	6,124
Customer Service	12,650	13,363	12,785	14,079	15,768
General Plant	13,614	12,640	15,232	13,129	13,440
Total Operation & Maintenance Expenditures	$ 105,463	$ 105,693	$ 107,294	$ 112,275	$ 116,770
Capital Programs:					
Raw Water	$ 19,918	$ 11,153	$ 26,449	$ 14,209	$ 27,244
Recycled Water	54,689	13,025	2,406	3,941	17,861
Water Treatment	15,326	7,271	5,139	6,040	5,970
Delivery	10,240	19,040	27,157	27,710	22,857
Conservation	3,489	2,467	6,778	3,042	2,475
Customer Service	17,458	7,673	4,170	3,628	1,600
General Plant	7,919	10,964	16,560	11,422	19,525
Total Capital Expenditures	$ 129,039	$ 71,593	$ 88,658	$ 69,992	$ 97,532
Debt Service, Related Costs and Interest on Reserve Funds	$ 71,338	$ 38,445	$ 44,428	$ 44,732	$ 47,398
Total Expenditures	$ 305,840	$ 215,731	$ 240,380	$ 226,999	$ 261,700
Ending Investment Balance	$ 163,405	$ 154,996	$ 147,282	$ 159,276	$ 150,222


Receipt History
2003 - 2006
(Thousands of Dollars)
Thousands of Dollars
$312,705
$207,322
$232,666
$230,649
$252,646
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
2003 Act
2004 Act
2005 Bud
2005 Act
2006 Bud
Operating
Participation,SDC,Reimb
Non-Op,Hydro,Int,Surchgs,Other
Debt Proceeds


Expenditure History
2003 - 2006
Thousands of Dollars
$305,840
$215,731
$240,380
$226,999
$261,700
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
2003 Act
2004 Act
2005 Bud
2005 Act
2006 Bud
O&M
Capital
Debt Service, Related Costs & Interest on Reserve Funds


Ending Investment Balance
2003 - 2006
(Thousands of Dollars)
Thousands of Dollars
$163,405
$154,99
$147,282
$159,276
$150,222
$210,000
$170,000
$130,000
$90,000
$50,000
2003 Act
2004 Act
2005 Bud
2005 Act
2006 Bud

Section 8 - Glossary of Terms

Acronyms

AF
Acre Foot

AMWA
Association of Metropolitan Water Agencies

AWWA
American Water Works Association

COP
Certificate of Participation

CIS
Customer Information System

CWA
Clean Water Act

DIA
Denver International Airport

DW
Denver Water

EPA
Environmental Protection Agency

ERT
Encoder Receiver Transmitter

GAD
Gallons per Account per Day

GIS
Geographic Information System

G. O. Bonds
General Obligation Bonds

IRP
Integrated Resource Planning

MGD
Millions of Gallons per Day

NRCS
Natural Resources Conservation Services

NWRS
National Water Resource Association

RCRA
Resource Conservation and Recovery Act

PACSM
Platte and Colorado Simulation Model

WUWC
Western Urban Water Coalition

Definitions

Annual Yield

Maximum basic demand the water supply could meet throughout a period of historical or synthesized hydrological conditions.

Bonds

Debt instruments issued by a state or local government. According to the Charter, the Board may issue revenue bonds which are secured solely by it's revenue. In the past it was able to issue general obligation bonds that were secured by the full faith and credit of the City of Denver.

Booked

Accrual method of accounting in which expenses are recognized when the liability is incurred.

Budget

A financial plan for a specified period of time (fiscal year) that assigns resources to each activity in sufficient amounts so as to reasonably expect accomplishment of the objectives in the most cost effective manner.

Capital Work Plan

A category of Master Plan items that are considered to be of a capital nature. Includes projects having a depreciation life of over one year and tends to benefit future periods, or has the effect of increasing the capacity, efficiency span of life or economy of an existing fixed asset. Example: the construction of a new conduit.

Capital Leases

A lease having essentially the same economic consequences as if the lessee had secured a loan and purchased the leased asset.

Casual Employee

An employee who works on an intermittent basis as a summer employee or during other brief periods.

Certificate of Participation

Evidence of assignment of proportionate interests in rights to receive certain revenues pursuant to a lease purchase agreement.

Chart of Accounts

Listing of account numbers and their descriptions.

Contract Payments

Consists of contract payments for construction, materials purchased for contractor installation, acquisition of land and land rights and water rights.

Corporate Culture

Values that set a pattern for a company's activities, opinions and actions.

Cost Control Center

A term used to denote a responsibility center. It is an organizational unit that has been placed in charge of accomplishing certain specified tasks. Example: Water Control Section.

Customer Information System

A computer system that tracks and bills customer's water consumption

Customer Taps

A physical connection to a distribution main that, together with appropriate license affects water service to a licensed premise.

Debt Guidelines

A statement from the Board with respect to appropriate uses of external financing.

Debt Service

Principal and interest on debt and payment under capital leases.

Demand Side Management

Term used when rebates are given when a facility can reduce power consumption.

Direct Materials

Includes materials and supplies purchased for direct use and fuel and oil for vehicles and equipment (non-stores issues only).

Disbursements

Money paid out for expenses, liabilities or assets.

Discretionary Employee

The charter of the City and County of Denver allows the Board to establish a classification of employees who have "executive discretion", who shall number no more than 2% of all persons employed, and shall serve solely at the pleasure of the Board.

Diversity Training

Objective of providing skills for managing and working with people of all races, genders and cultures.

Division

Largest organizational unit reporting to the Manager.

Employee Benefits

Employee Benefits are expenditures paid by Denver Water for Worker's Compensation, Social Security, Retirement, Employee Assistance Program, Health and other insurances. It does not include employee withholdings or unemployment insurance.

Endangered Species Act

The federal law that sets forth how the United States will protect and recover animal and plant species whose populations are in dangerous decline or close to extinction. The law protects not only threatened and endangered species but also the habitat upon which species depend.

Enterprise Fund

A type of propriety fund or a governmental unit that carries on activities in a manner similar to a private business.

EPA Section 319

Environmental Protection Agency Program to provide funds to agencies to assist in clean water protection.

Encoder Receiver Transmitter (ERT)

An electronic device that receives a signal from a water meter, encodes the current reading into a digital signal, and transmits it to a meter reader

Federal Statutes

Statutes enacted by Congress relating to matters within authority delegated to federal government by the U.S. Constitution.

Fund

An accounting entity with a set of self-balancing accounts that is used to account for financial transactions for specific activities of government functions.

General Equipment

Computer equipment, office furniture and equipment, transportation equipment, storehouse equipment, construction and maintenance tools and equipment, chemical laboratory equipment, power operated equipment, communication equipment, garage and shops equipment and miscellaneous equipment.

General Obligation Bonds (GO Bonds)

A security representing the promise to repay borrowed money secured by the full faith and credit of the governmental borrower.

Goals

Overall end toward which effort is directed.

Governmental Accounting Standards Board (GASB)

A board which establishes the generally accepted accounting principles for state and local governmental units.

Gross Revenue

All income and revenues, from whatever source, including system development charges and participation payments, excluding only money borrowed and used for providing capital improvements or other receipts legally restricted to capital expenditures.

Historical Timing Adjustment

Estimate of budget variances primarily due to changes in capital construction schedules and the timing of obtaining permits and acquiring rights-of-way.

Hydropower

Hydroelectric power of/or relating to production of electricity by water power.

Infill

Undeveloped areas within the combined service area that Denver Water would be expected to serve in the future.

Integrated Resource Planning (IRP)

A method for looking ahead using environmental, engineering, social, financial and economic considerations; includes using the same criteria to evaluate both supply and demand options while involving customers and other stakeholders in the process.

Interest Requirements

As used in the debt guidelines, scheduled interest payments during the 12 month period following the date of calculation.

Introductory Employee

An employee who is newly appointed to a position and is serving an introductory period, generally of six month's duration.

Investment Balance

The total sum held in cash and investments net of uncleared warrants.

Lease Payments

Periodic payments made in order to obtain use of a facility or piece of equipment.

Long-Term Debt

Debt with a maturity of more than one year from date reported.

Master Plan

Expenditures identified by projects and activities that are necessary to accomplish the Department's overall operating goals and objectives. The Master Plan, or Program Budget, is divided into a Capital Work Plan and an O&M Work Plan.

Master Plan Item

A specific activity or project that is identified in the Master Plan.

Modified Accrual Basis

Accounting method in which expenditures are reported and budgeted "as booked”. The difference between expenditures "as booked" and disbursed is adjusted to determine the ending cash and investment balance amounts.

Municipal Water Utilities

Public entities whose responsibility is to deliver water to the customers.

Net Revenues

Gross Revenue less Operating and Maintenance Expenses.

Non-Operating Revenue

As used in this document, revenue received from payments for services such as main inspections, installation of taps, calculating and mailing of sewer bills and other such services.

Non-Potable

Water not suitable for drinking. (See also Potable)

Objectives

Something toward which effort is directed - an aim, goal or end of action.

Operating Reserves and Restricted Funds

The amount of cash and invested funds available at any point in time. The balance is the Water Works Fund as defined in this glossary.

Operating Revenue

Revenue obtained from the sale of water.

Operation and Maintenance (O&M) Work Plan

A category of Master Plan items not capital in nature, that are normally ongoing activities and pertain to the general operations of Denver Water.

Other

Expenditures for items such as payroll deductions, sales tax, insurance claims, cash over and short, and budget adjustments.

Other Services

Expenditures for items such as training, employee expenses, rents and leases, ditch assessments, convention and conference expenses, subscriptions, maintenance and repair agreements and memberships.

Participation Agreement

An agreement in which a distributor or developer pays for the cost of the distribution facilities such as conduits, treated water reservoirs or pump stations required to provide service within that district from the nearest existing available source.

Potable

Water that does not contain pollution, contamination, objectionable minerals or infective agents and is considered safe for domestic consumption; drinkable. (See also Nonpotable)

Principal and Interest Requirements

As used in the debt guidelines, interest requirements plus the current portion of long-term debt. *(Includes general obligation bonds, certificates of participation, and capital leases*.)

Professional Services

Consists of consultant payments for such activities as facility design, legal work and auditors.

Program

An organized group of activities and the resources to carry them out, aimed at achieving related goals.

Program Budget

A method of budgeting in which the focus is on the project and activities that are required to accomplish Denver Water's mission, goals and objectives. It provides for consideration of alternative means to accomplish these criteria. It also provides a control device for higher level management and cuts across organizational lines. Resources are allocated along program lines and across organizational lines.

Program Element

Series of smaller categories of activities contained in the program such as raw water, water treatment, etc.

Project Employee

A contract worker assigned to a project of more than one year's duration and receiving a limited benefits package.

Refunds

Includes System Development Charge Refunds and Customer Refunds.

Regular Employee

An employee who has satisfactorily completed an introductory period and has been approved by the Board to receive the rights and privileges of a tenured employee.

Regular Pay

Includes all straight-time salaries and wages earned, leaves, tuition refunds, suggestion awards, swing and graveyard shift payrolls, and safety equipment allowances. Regular pay consists of all payroll items except for overtime pay.

Safe Drinking Water Act (SDWA)

Federal legislation passed in 1974 that regulates the treatment of water for human consumption and requires testing for and elimination of contaminants that might be present in the water.

Stores Issues

Includes materials and supplies issued from inventory and fuel and oil for vehicles and equipment .

Strategic Plan

Process that is a practical method used by organizations identifying goals and resources that are important to the long-term well being of its future.

Streamline Pay

Automatic deduction of bills from customers' checking accounts.

System Development Charges

A one-time connection charge that provides a means for financing a portion of the source of supply, raw water transmission facilities, treatment plants and backbone treated water transmission facilities required to provide service to a new customer. Sometimes called a tap fee.

Temporary Employee

An employee hired as an interim replacement or temporary supplement of the work force. Assignments in this category can be of limited duration or indefinite duration, but generally do not exceed one year.

Type of Expenditure

A classification of resources or commodities that will be budgeted and charged to projects and activities by Cost Control Centers.

Utilities & Pumping

Consists of gas, electric and telephone, electricity wheeling charges, replacement power purchased and power purchased for pumping.

Water Conservation

Obtaining the benefits of water more efficiently, resulting in reduced demand for water. Sometimes called "end-use efficiency" or "demand management."

Water Revenues

Revenues generated through billing process from the sale of water.

Waterworks Fund

A fund into which are placed all revenues received for the operation of the water works system and plant together with all monies coming into said fund from other sources. Denver Water is allowed by the City Charter to have only one fund, the Water Works Fund, for all of its receipts and expenditures. The balance of the Water Works Fund is referred to in this budget document as the Designated Balances, Capital and Land Sales Account.

Budget Staff, Divisional Budget Coordinators and Others

Budget Staff:

Grace Wilcox
Antoinette Chavez
Tim Lowe
Tatum Kaul
Marilyn Stwalley

Divisional Budget Coordinators:

Edith Carlson	Manager and Staff
Alice Montez	Human Resources
Susan Zimmerman	Public Affairs/Finance
Kris Mattione	Legal
Marilyn Hampton	Information Technology
Gregg Moore	Engineering
Tom Clark	Planning
Charlene Gregg	Operations and Maintenance

Budget Information Services Support:

George Nekolny – Program Budget System
Jim Roper – Labor Budget System
Bob Tinglestad - Business Intelligence
James Hite - Business Intelligence

Denver Water - A Condensed History by :

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